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SUB-SAHARAN
AFRICA

KEY FIGURES

POPULATION	2.1 million
GDP	$6.7 billion
GNI PER CAPITA	$5,120 (PURCHASING POWER PARITY)
LIFE EXPECTANCY	53 years

NAMIBIA

COUNTRY BRIEF

THE WORLD BANK

Namibia

Country Brief

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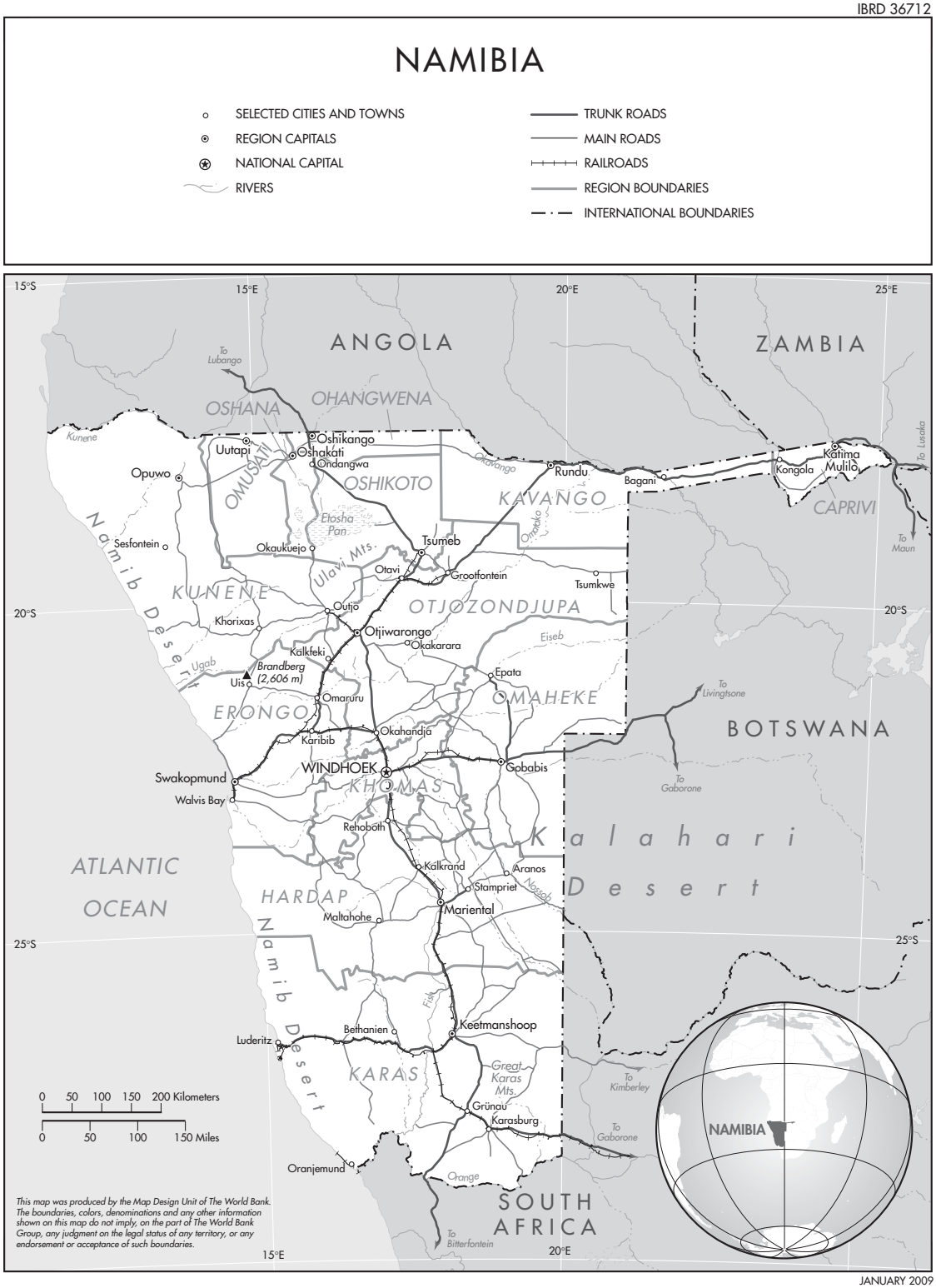


JANUARY 2009

Fast Facts about Namibia

- Namibia is a large country in Southern Africa that borders the South Atlantic Ocean, between Angola to the north and South Africa to the south. With a surface area of 824,290 square kilometers, it is similar in size to Mozambique and about half the size of the U.S. state of Alaska.
- Namibia has a small population of approximately 2.1 million people. It is also one of the least densely populated countries in Sub-Saharan Africa, with an average density of approximately 2.5 people per square kilometer, compared to 34 people per square kilometer for the region as a whole.
- Namibia was the last colonized country in Sub-Saharan Africa to become independent. After nearly 70 years of South African rule, Namibia gained its independence on March 21, 1990.
- Until 1990, Namibia's official languages were German, Afrikaans, and English. Following independence, English became the official language, although it is the first language of only a very small percentage of Namibians. Oshiwambo dialects are the mother tongue of approximately half of the population.
- Namibia—a lower-middle-income country—has one of the highest levels of per capita income in Sub-Saharan Africa.
- Namibia is one of very few countries in Sub-Saharan Africa that maintains a social safety net for the elderly, the disabled, orphans and vulnerable children, and war veterans. It also has a Social Security Act that provides for maternity leave, sick leave, and medical benefits.
- Namibia has one of the most productive fishing grounds in the world. The fishing industry is an important source of foreign exchange and a significant employer.
- The tourism industry in Namibia is similar in size to that in Botswana and is the country's third-largest foreign exchange earner.
- Namibia is one of the largest producers of gem quality diamonds in the world. It is estimated that 98 percent of its mined diamonds are gem quality. In 2006, almost half of total production was recovered from offshore sources.
- In existence for at least 55 million years, the Namib Desert is considered the world's oldest desert. At approximately 81,000 square kilometers, it is also Africa's second-largest desert and contains some of the world's highest sand dunes.
- Namibia is the driest country in Sub-Saharan Africa, with deserts occupying much of the country. It has no perennial rivers or any other permanent water bodies. Due to the low and erratic rainfall and scarce ground and surface water, less than 5 percent of the country is arable, including through irrigation.
- Namibia was the first country in the world to incorporate environmental protection into its constitution. Nearly 6 percent of its land is nationally protected, including large portions of coastal areas within the Namib Desert.

Namibia is performing well in several areas . . .

- Namibia has enjoyed political and economic stability since gaining independence in 1990 while deepening its democratic institutions and adopting a wide array of reforms and policies to transform the social fabric of the country.
- According to a 2003/04 national household survey, Namibia experienced a significant decline in the share of poor and extremely poor households compared to a decade prior. Some 28 percent of households were classified as poor and 4 percent as extremely poor, compared to 37.1 and 8.2 percent ten years earlier.
- Namibia's constitution is one of the most liberal in Africa. The rule of law is respected and guarantees the division of powers and responsibilities between the executive, legislative, and judicial branches of government. The courts are independent. Nongovernmental organizations (NGOs) are numerous and represent a wide range of interests.
- Access to basic education has become more equitable and primary health care coverage has become more widespread in recent years. Namibia is currently among the top 10 countries worldwide in share of GDP spent on education, and second only to South Africa on the African continent in per capita expenditure on health.
- Namibia has one of the more sophisticated and developed financial systems in Africa, with four commercial banks, a stock exchange, about 30 insurance companies, 500 pension funds, a number of asset management companies, and a large number of microlending institutions.
- The business environment in Namibia has been strengthened by the development of strong institutions, a liberal foreign investment framework, and an independent judiciary.
- Namibia has experienced a current account surplus every year since gaining independence in 1990, a record extremely unusual among lower-middle-income countries.
- In 2005, Namibia was given a long-term issuer default rating of BBB– by the global credit rating agency Fitch. Namibia maintained that rating in 2008.

. . . yet major development challenges remain

- Namibia's average life expectancy at birth was only 53 years as of 2006, a significant drop from 62 years in 1995.
- As in many of its neighboring countries, the well being of Namibians is seriously threatened by HIV/AIDS. In 2007, an estimated 200,000 people were living with HIV. The country has one of the highest adult HIV infection rates in Sub-Saharan Africa, at 19.6 percent in 2005.
- Namibia's tuberculosis (TB) incidence rate of 767 cases per 100,000 people in 2006 is almost twice as high as the Sub-Saharan African regional average of 368 cases per 100,000, placing it among the top three worst TB-affected countries in the world, next to Swaziland and Lesotho. About two thirds of people with TB are also HIV-positive, and Namibia has the fourth-highest documented rate of TB-HIV co-infection in Africa.
- A 2003 World Bank study showed that a large proportion of adults who completed primary—and even secondary—education are functionally illiterate. Low academic performance in general education leads to problems in tertiary education, including exceptionally low university completion rates: 20 percent in science, 35 percent in humanities, and 44 percent in education.
- Unemployment has trended upward in recent years. Over 1991–2005, the unemployment rate rose from 19 percent to 37 percent. Unemployment is particularly high among the young, reaching 57 percent among 20–24-year-olds. Those with less than secondary education face an unemployment rate of more than 30 percent.
- Namibia has had limited industrial development since independence and continues to import most manufactured goods from South Africa. A World Bank survey on the investment climate found a number of constraints to growth in the manufacturing sector, including difficulty obtaining finance, poor worker skills, and an anti-export bias reflected by a high common external tariff.
- While Namibia outperforms Sub-Saharan Africa as a whole in 35 of 41 business environment rankings according to the World Bank and IFC's latest *Doing Business* report, it performs in the bottom third of countries ranked in terms of registering property and trading across borders.
- Although Namibia has an open, trade-dependent economy, and trade policy (mostly determined at the South African Customs Union (SACU) level) favors large, capital-intensive firms. Only one-third of firms export anything, however, a much lower share than in fellow SACU members South Africa, Lesotho, and Swaziland.

People and Poverty

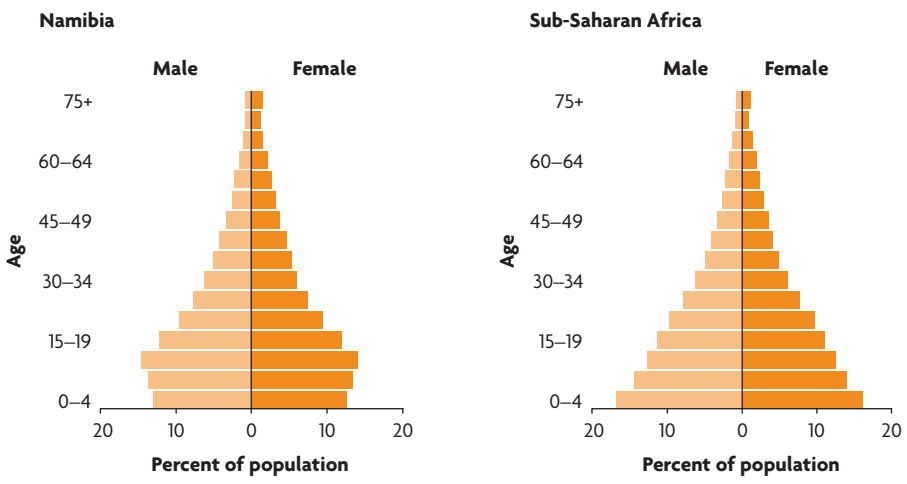
A small population facing formidable challenges

Namibia has a small population of approximately 2.1 million people. With a surface area of 824,290 square kilometers and an average population density of approximately 2.5 people per square kilometer, it is one of the least densely populated countries in Sub-Saharan Africa, where average population density is 34 people per square kilometer. Approximately two-thirds of the Namibian population lives in rural areas, predominantly in the north and northeast of the country. The remaining one-third lives in urban areas, including the capital, Windhoek, and coastal towns such as Swakopmund, Walvis Bay, and Lüderitz. Like most Sub-Saharan African countries, Namibia was forged by colonial forces and contains diverse ethnic groups. Missionary work during the 1800s converted much of the population to Christianity, which is now the dominant faith, though indigenous religions are also practiced.

Namibia has many advantages, including considerable mineral resources, political stability, a strategic location along the Atlantic Ocean with access to deep-water ports, and one of the highest levels of per capita income in Sub-Saharan Africa. However, it faces considerable ongoing challenges: a still-high level of poverty, extremely high HIV/AIDS prevalence, decidedly inequitable income distribution, and a high level of unemployment.

As in many Sub-Saharan African countries, the population of Namibia is young, with 38 percent of people under the age of 15 (figure 1). This rate is down from 42 percent in 2000, however. A mere 4 percent of the population is 65 or older. Population growth, at an annual rate of 1.31 percent, is substantially below the Sub-Saharan African average rate of 2.36 percent, but well above the World Bank's lower-middle-income country group average of 1.01.

Figure 1: Namibia' very young people represent a smaller percentage of its total population than in Sub-Saharan Africa as a whole



Source: World Bank 2008f (data for 2006).

Poverty has declined, but remains common

Since the 1970s, almost all regions in the world have seen a progressive improvement in their human develop-

ment indicators. The major exception is Sub-Saharan Africa, which has seen its development progress stagnate since 1990, partly because of economic reversal but principally because of the catastrophic effect of HIV/AIDS on life expectancy.

The 2003/04 Namibia Household Income and Expenditure Survey (NHIES) indicated that 28 percent of households were classified as poor and 4 percent were classified as extremely poor.[1] These estimates reflect a significant decline in the share of poor and extremely poor households from the survey a decade before, when levels were 37.1 and 8.2 percent, respectively. Rural regions, where more than 60 percent of the population lives, have particularly high poverty levels. More than one-third of Namibian households depend on subsistence farming as their only source of income, and almost half depend on it as their primary source of income. In these households, average consumption is about half the national average (IMF 2006). Although there has been a reduction in the share of poor households in all regions, the differences between urban and rural areas remain large. By international standards, Namibians fare worse: 49.1 percent of the population lives below the $1.25-per-day poverty line, while 62.2 percent is below the $2-per-day threshold (World Bank 2008e).

According to World Bank figures, Namibia's per capita annual income, measured using purchasing power parity (PPP) in current international dollars, was $5,120 in 2007, one of the highest levels in Sub-Saharan Africa and above the lower-middle-income country average of $4,543. Using the World Bank's Atlas method, per capita income was $3,360 in 2007, far higher than the lower-middle-income country average of $1,887.

Broad measures of human development, such as those calculated by the UN Development Programme's Human Development Index (HDI), show signs of deterioration and confirm that Namibians remain poor compared with the rest of the world. Namibia's HDI rank was 125th out of 177 countries in the 2007/08 *Human Development Report*, unchanged from the 2006 report, and down from a rank of 116th of 174 countries in 1996.[2]

Apartheid's legacy of dualism

Namibia won its independence from South Africa in 1990 (box 1); it was the last colonized country in Sub-Saharan Africa to become independent. Before 1990, apartheid policies led to the emergence of a highly dualistic society, with income and wealth skewed toward the minority white elites, creating one of the most highly inequitable societies in the world. Though the 2003/04 NHIES indicates declining inequality, it remains high. Namibia has a Gini index of 60;[3] this represents a sharp improvement from the index of 70 in the survey 10 years before.[4] According to the NHIES, per capita income for the 90 percent of households with the lowest income is about $262, a hundredth of the $25,000 for the richest 2 percent of the households (World Bank 2007b).

Health indicators have improved since independence

Namibia has made great progress in addressing some of the structural problems resulting from the dual economy inherited at independence. Primary health care coverage is more widespread, and Namibia is second only to South Africa on the continent in per capita expenditures on health (World Bank 2007b). Country-wide immunization campaigns, coupled with parallel strengthening of the overall public health infrastructure, yielded a significant reduction in the infant mortality

Box 1 From colonial rule to stable democracy

After nearly 70 years of South African colonial rule, Namibia gained its independence on March 21, 1990. A protracted armed struggle waged by the South West Africa People's Organization (SWAPO) began in 1966 after the UN General Assembly revoked South Africa's mandate over Namibia. Since independence, Namibia has maintained a multiparty parliamentary democracy with good governance, basic civil freedoms, respect for human rights, and a fairly contained level of corruption. The constitution establishes a bicameral parliament and provides for general elections every five years, with a president elected for a five-year term. Sam Nujoma, leader of SWAPO, was president from independence until 2005, serving three terms.

Namibia has three tiers of government: national, regional, and local. The country is divided into 13 regions. Members of the 72-seat National Assembly are elected from a party list on a proportional basis, and SWAPO held 55 of the 72 seats following elections in November 2004. Voter turnout for the national election was extremely high at 85 percent and reasonably high for the regional elections at 54 percent (Bertelsmann Stiftung 2007). Namibians are rightly proud of the transition they have made from colonial rule to independence. Following the 2004 elections, Namibia signaled its emergence as a stable democracy when outgoing president Nujoma handed over power to Hifikepunye Pohamba, who won 76 percent of the vote.

Namibia's constitution is one of the most liberal in Africa. The rule of law is respected and guarantees the division of powers and responsibilities between the executive, legislative, and judicial branches of government. The courts are independent and judges act in accordance with the constitution. Civil society organizations such as trade unions and churches are guaranteed the right to establish by the constitution and are largely unrestricted in their actions. NGOs are extremely numerous and represent a wide range of interests.

rate between 1990 and 2006, from 60 to 45 per 1,000 live births (under-5 mortality, though, remains substantially higher than in lower-middle-income countries as a group). Access to clean water has been dramatically increased. Namibia is also one of very few countries in Sub-Saharan Africa that maintains a social safety net for the elderly, the disabled, orphans and vulnerable children, and war veterans. It also has a Social Security Act that provides for maternity leave, sick leave, and medical benefits (World Bank 2007b).

By most measures, Namibia's health indicators are substantially better than those of Sub-Saharan Africa as a group, but lagging those of lower-middle-income countries as a group (table 1). Life expectancy, though, is one measure by

Table 1: Namibia's health indicators are generally better than those of Sub-Saharan Africa, but worse than those of lower-middle-income countries

	Namibia	Sub-Saharan Africa	Lower-middle-income countries
Life expectancy at birth (years)	53	51	69
Access to improved water (percent)	93	58	88
Access to improved sanitation (percent)	35	31	54
Maternal mortality (modeled estimate, per 100,000 live births)	210	900	300
Infant mortality (per 1,000 live births)	45	94	41
Under-5 mortality (per 1,000)	61	157	54
Malnutrition, weight for age (percent of under-5 children)	30	27	25
Malnutrition, height for age (percent of under-5 children)	20	44	35
Pregnant women receiving prenatal care (percent)	91	72	84
Contraceptive prevalence (percent of women ages 15–49)	44	22	69
Measles immunization (percent of children ages 12–23 months)	63	72	77
Tuberculosis incidence (per 100,000 people)	767	368	135

Source: World Bank 2008f.

Note: All data are for 2005 or 2006, except Namibia's malnutrition, prenatal care, and contraceptive prevalence figures, which are for 2000.

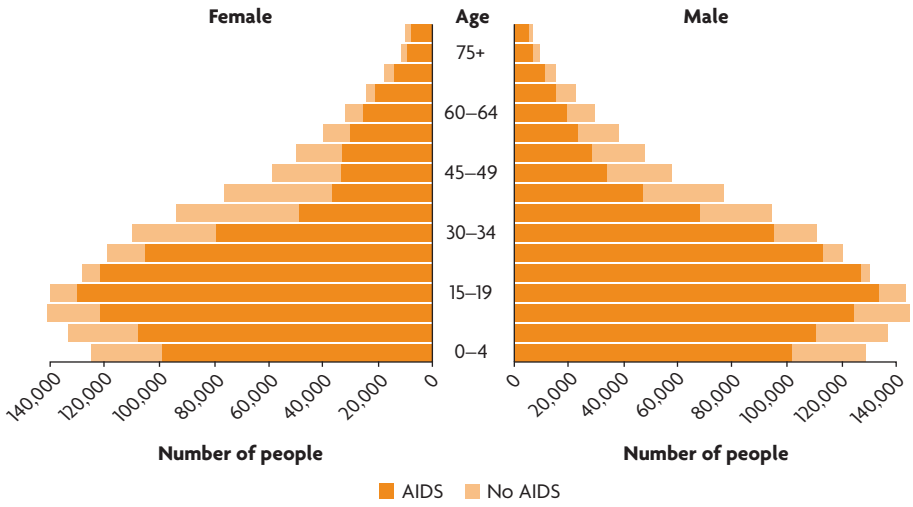
which Namibia performs particularly poorly. On one hand, in 2006, 93 percent of Namibia's population had access to an improved water source, compared with 57 percent in 1990. Access to improved sanitation, on the other hand, increased by a much smaller margin over the same period, from 26 to 35 percent (though coverage for the urban population is 66 percent). Public taps are an important source of water for most poor households, though a large share of the population still relies on unprotected wells and flowing water, exposing them to health risks. Primary health care facilities in Namibia cover a substantial proportion of communities. The mean distance to a hospital or clinic is 17.6 kilometers for poor households and 10.1 kilometers for nonpoor households (World Bank 2007e).

HIV prevalence is among the highest in Sub-Saharan Africa

Namibia has been—and will continue to be—hard hit by HIV/AIDS. Prevalence of HIV among adults was 15.3 percent in 2007, more than three times the rate of 5.9 percent for Sub-Saharan Africa as a whole in 2006 (UNAIDS, WHO, and UNICEF 2008; UNAIDS and WHO 2006). Since the first HIV infection was reported in 1986, the epidemic grew rapidly until 2002, when it began to level off in the adult population.[5] Since then, prevalence has declined by a small margin each year. There are significant regional variations, however: in Caprivi, for example, in the northeast of the country, 43 percent of pregnant women were infected with HIV in 2005 (UNAIDS and WHO 2006). A significant proportion of the working-age Namibian population, particularly the female population, is expected to succumb to AIDS in the coming years (figure 2).

As of 2007, an estimated 200,000 people were reportedly living with HIV, 14,000 of whom were children (Namibia, Ministry of Health and Social Services 2007). By 2006, among those under the age of 18, 4.6 percent had lost their mother and 10 percent had lost their father to HIV/AIDS, which has become a prime cause of death in all age groups. Life expectancy has been reduced to 53 years in 2006, similar to the life expectancy rate in Sub-Saharan Africa, but an unfavorable comparison with the life expectancy of 69 years for lower-middle-income countries.

Figure 2: Namibia's population structure, AIDS and no AIDS scenarios, 2015



Source: IMF 2006.

Compounding the tragic human effects of HIV/AIDS in Namibia are the disease's enormous economic and social costs. In an effort to control the epidemic, the government has adopted a multisectoral approach and is working with numerous partners. Spending on HIV increased from $35 million in 2003 to $130 million in fiscal year 2006. Almost two-thirds of government resources go to care and treatment, primarily antiretroviral (ARV) treatment. The government's Third Medium-Term Plan (MTP III) has so far been successful in terms of treatment. In 2006, an estimated 28,000 people living with HIV received ARV therapy out of 58,000 in need, 4,800

women received a complete course of antiretroviral therapy prophylaxis for prevention of mother-to-child transmission, and 76,000 people completed the counseling and testing process (all data in this paragraph from Namibia, Ministry of Health and Social Services 2007).

Tuberculosis inflicts a heavy toll on the population

Namibia's tuberculosis (TB) incidence rate of 767 cases per 100,000 people in 2006 is almost twice as high as the Sub-Saharan African regional average of 368 cases per 100,000, placing it among the top three worst TB-affected countries in the world, next to Swaziland and Lesotho. According to USAID (2006), about two-thirds of people with TB are also HIV-positive, and Namibia has the fourth highest documented rate of TB-HIV coinfection in Africa. Namibia's high HIV/AIDS prevalence poses serious problems for the successful treatment of TB. USAID also reports that although Namibia has sustained DOTS (directly observed treatment, short course) case detection rates above the global target of 70 percent, its DOTS treatment success rate of 67 percent (2001–07) is below the global target of 85 percent.

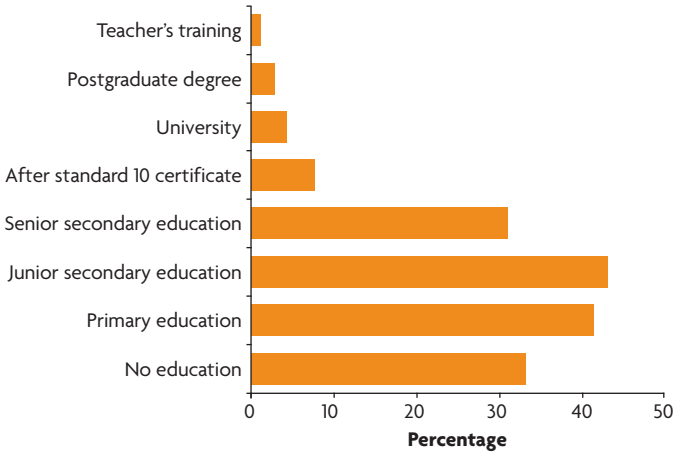
School enrollment has improved, but quality of education remains low

Following independence, Namibia put great emphasis on increasing access to education and training and is currently one of the biggest spenders on this sector in Africa (about 9 percent of GDP in 2002/03) (World Bank 2007e). Net primary school enrollment was 76 percent as of 2006, higher than the Sub-Saharan African average of 70 percent. Gross secondary enrollment has increased substantially, from 45 percent in 1991 to 57 percent in 2006. And at 5.8 percent in 2006, gross tertiary enrollment is higher than the Sub-Saharan African average of 5.2 percent. Nonetheless, it is widely acknowledged that general education is ineffective and the quality extremely low (World Bank 2007e). Namibia ranks lowest among its peers in the Southern African Development Community (SADC) in student performance on reading and mathematics. Although the adult literacy rate is relatively high (85 percent as of 2001), a 2003 World Bank assessment showed that a large proportion of adults who completed primary—and even secondary—education are functionally illiterate (World Bank 2007c). Access to basic education, notwithstanding qualitative issues, has become more equitable. Distances to primary school are 7.1 kilometers for nonpoor households and 11.5 kilometers for poor households (World Bank 2007e).

Low skills levels are a major factor in unemployment

Level of education influences poverty levels in Namibia because people with higher levels of education are more likely to be employed (figure 3). Although the advantages of education are well known, the magnitude of relative earnings between educated and less educated workers in Namibia is large. Skilled workers earn about five times the wage of unskilled workers, and for professional and managerial workers, wages are about 10 times higher (IMF 2008b). Moreover, unlike more developed economies, where unemploy-

Figure 3: Unemployment rates by level of education



Source: IMF 2008b.

ment also affects educated workers, an IMF study has shown that unemployment in Namibia is primarily an unskilled phenomenon (IMF 2006).

The government undertook a new development strategy in 2007

The government of Namibia has developed a long-term strategy, Vision 2030, as a broad framework for accelerating growth and social equity. Vision 2030 sets an ambitious goal for Namibia to become a high-income, knowledge-based economy with a quality of life for all Namibians comparable to that of the developed world. The attainment of this goal demands a substantially heightened and sustained contribution of all sectors of the economy to core national development goals: accelerating growth, reducing unemployment (especially youth unemployment), reducing poverty and social inequality, and curbing the spread of HIV/AIDS. Vision 2030 is to be realized through a series of National Development Plans. The Third National Development Plan (NDP3) runs from 2007 to 2011 (World Bank 2007c).

A recent World Bank study found that Namibia's education would not deliver on the expectations of Vision 2030, particularly in terms of quality, equity, relevance, and responsiveness to HIV/AIDS (Marope 2005). In addition, skills shortage in the labor force, as discussed above, has been identified as one of the binding constraints to productivity growth.

Namibia is making progress toward meeting some of the Millennium Development Goals (MDGs)

Adopted by the United Nations in 2001, the eight Millennium Development Goals comprise 18 targets and 48 indicators to be achieved by 2015. They set quantitative targets for poverty reduction and improvements in health, education, gender equality, the environment, and other aspects of human welfare. For some goals, such as those on environmental sustainability and gender equality, Namibia has met—or is on track to meet—the targets (table 2). For others, including reducing the incidence of under-5 mortality by two-thirds and halving the rate of malnutrition, Namibia is behind schedule. For many of the individual indicators, however, it is difficult to track progress because of lack of data for the early 1990s.

Table 2: Namibia's progress toward meeting the MDGs is mixed

	1990	1995	2000	2007
Goal 1: Halve the rates of extreme poverty and malnutrition				
Poverty headcount ratio at $1.25 a day (PPP, % of population)	–	–	–	*49.1*
Poverty headcount ratio at national poverty line (% of population)	–	–	–	–
Income share held by lowest 20%	–	*1.4*	–	–
Malnutrition prevalence, weight for age (% of children under age 5)	*21.5*	–	20.3	–
Goal 2: Ensure that children are able to complete primary schooling				
Primary school enrollment (% net)	*85.9*	–	75.4	*76.4*
Primary completion rate (% of relevant age group)	–	74.1	81.6	*76.4*
Secondary school enrollment (% gross)	*44.8*	–	56.7	*56.9*
Youth literacy rate (% of people ages 15–24)	*88.1*	–	*92.3*	–
Goal 3: Eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*106.4*	–	103.3	*103.8*
Women employed in the nonagricultural sector (% of nonagricultural employment)	–	–	47.5	–
Proportion of seats held by women in national parliament (%)	7	*18*	22	27
Goal 4: Reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	86	77	69	*61*
Infant mortality rate (per 1,000 live births)	60	55	50	*45*
Measles immunization (proportion of one-year-olds immunized, %)	57	68	69	*63*
Goal 5: Reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	–	–	–	*210*
Births attended by skilled health staff (% of total)	*68.2*	–	75.5	–
Contraceptive prevalence (% of women ages 15–49)	*28.9*	–	43.7	–
Goal 6: Halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV, total (% of population ages 15–49)	–	–	*14.6*	15.3
Incidence of tuberculosis (per 100,000 people)	306.3	458.3	664.1	*766.6*
Tuberculosis cases detected under DOTS (%)	–	21.3	77.1	*82.9*
Goal 7: Halve the proportion of people without sustainable access to basic needs				
Improved water source (% of population with access)	57	70	81	*93*
Improved sanitation facilities (% of population with access)	26	29	32	*35*
Forest area (% of total land area)	10.6	–	9.8	*9.3*
Nationally protected areas (% of total land area)	–	–	–	–
CO_2 emissions (metric tons per capita)	0.0	1.0	0.9	–
GDP per unit of energy use (constant 2005 PPP $ per kilogram of oil equivalent)	*8.1*	6.8	7.1	*6.7*
Goal 8: Develop a global partnership for development				
Telephone mainlines (per 100 people)	3.7	4.7	5.9	6.7
Mobile phone subscribers (per 100 people)	0.0	0.2	4.4	38.6
Internet users (per 100 people)	–	0.0	1.6	4.9
Personal computers (per 1,000 people)	–	–	4.0	24.1

Source: World Bank 2008f.

Note: Data are estimates closest to the years shown, plus or minus two years. Figures in italics are for years other than those specified. — = not available.

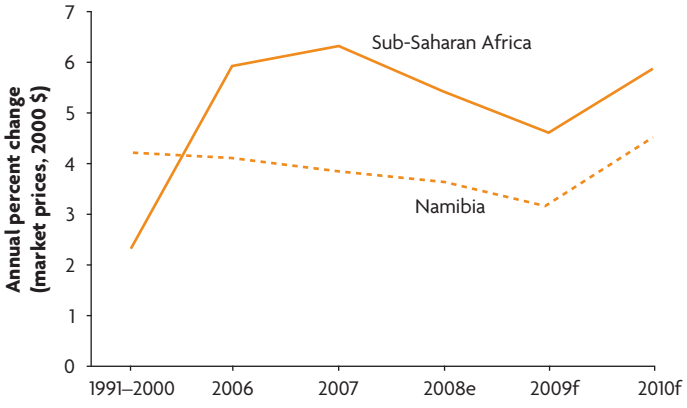
Economy

Namibia is a small, relatively open economy closely linked to South Africa. Its natural resources—both renewable and nonrenewable—are an important source of growth for the economy. Since independence, the country has experienced steady growth, generally moderate inflation, strong external surpluses, and low indebtedness. This is a result of generally prudent fiscal policies, a stable political environment, a fairly developed infrastructure, and a strong legal and regulatory environment. The Namibian dollar, pegged at par to the South African rand, has helped to maintain long-term macroeconomic stability. The peg has also helped integrate the Namibian economy to that of South Africa, with benefits for the promotion of trade and financial development. However, Namibia faces a number of economic challenges, including lingering high levels of poverty, high unemployment, and unequal distribution of wealth and income.

Rising GDP and a healthy outlook

Namibia's gross domestic product (GDP) growth averaged 4.2 percent over 2005–07 (figure 4). From an expenditure perspective, private consumption accounts for about 50 percent of GDP, while government consumption accounts for 25 percent and investment for 30 percent. Net exports were –1 percent of GDP in 2006 and deteriorated to –5 percent of GDP in 2007. According to the IMF, minerals account for more than half of exports, with diamonds by far the largest category. Overall, the economy is dominated by the services sector—both public and private—which accounts for around 59 percent of output. The industrial sector, including mining, contributes around 30 percent to GDP; agriculture and fishing account for another 11 percent of output (World Bank 2008f). Overall growth is expected to weaken to 3.6 percent in 2008 and drop to 3.1 percent in 2009 before recovering in 2010 (World Bank 2009).

Figure 4: Namibia's economy is growing, but at a slower rate than in Sub-Saharan Africa as a whole



Source: World Bank 2009.

Note: e = estimate; f = forecast.

The service sector is a big driver of growth

The structure of Namibia's economy has remained fairly stable over the past decade, dominated by the services sector, which also contributes much of the growth (World Bank 2007e). Public administration, education, and health witnessed strong employment growth, gaining close to 20,000 jobs between 1997 and 2004, but further growth of the government sector, a key employer, is not considered sustainable (World Bank 2007e, figure 2.4). Job growth in private services, such as wholesale and retail trade and hotels

and restaurants, seems to indicate that Namibia has been able to replace some of the lost agricultural jobs with new service sector employment. The service sector's contribution to growth has been commensurate with that of South Africa and superior to that in other neighboring countries.

Good infrastructure has bolstered tourism's expansion

Tourism[6] is a significant foreign exchange earner, generating receipts of $473 million in 2006. According to the United Nations World Tourism Organization (UNWTO), tourism receipts contributed 7.2 percent to Namibia's GDP in 2006, one of the highest relative percentages in Sub-Saharan Africa. In absolute terms, the tourism industry is similar in size to that of Botswana (figure 5). The bulk of the jobs generated in the tourism sector originate from services (for example, accommodations, restaurants, and tour safari operations). According to the Namibian Tourism Board (NTB), some 24,150 people were directly employed in travel and tourism in 2004, which accounts for 6.2 percent of total employment (World Bank 2008a).

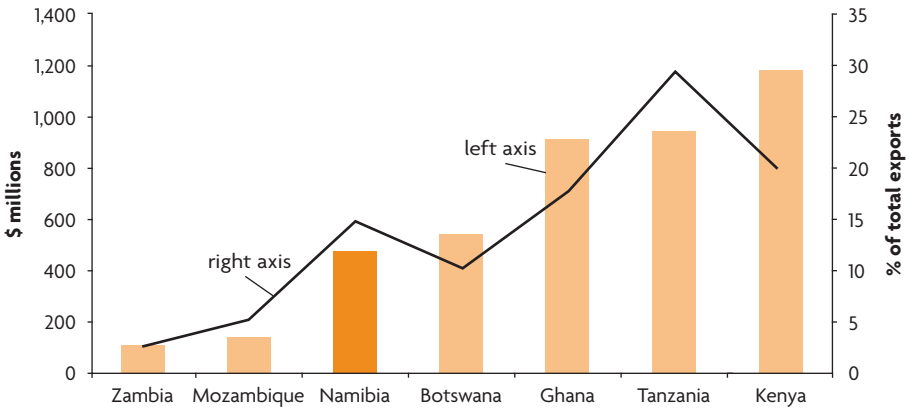
Tourist arrivals were estimated to be 750,000 in 2005, up from 250,000 in 1990, with tourism output increasing 13 percent between 1998 and 2003 (World Bank 2008a). More than half the arrivals are people from South Africa and Angola on trips for business, shopping, or visiting relatives. The majority of European tourists come to visit the country's national parks. Nature tourism is characterized by a large number of small firms. Although Namibia's tourism sector continues to be dominated by tour operators based in Windhoek offering coach tours (approximately 250 such companies exist), the market for self-drive tourists has grown rapidly, facilitated by Namibia's extensive road network (World Bank 2007e). The Namibia Tourism Board, which is responsible for tourism promotion, is focusing on developing high-value, low-volume tourism. This underscores the need to adopt a sustainable ecotourism approach to protect the country's fragile natural resources.

The mining sector is the largest source of foreign exchange earnings

Namibia's economy relies heavily on the extraction and processing of minerals. It is well endowed with nonrenewable natural resources, including gem-quality diamonds, uranium, copper, lead, zinc, arsenic, cadmium, antimony, pyrite, silver, gold, and semiprecious stones. Despite the mining sector's share of GDP declining from around 18 percent in 1990 to 14 percent in 2002 and to slightly more than 9 percent in 2007, the sector is still the largest source of foreign exchange earnings.

Diamonds are the most important mining product, accounting for about 70 percent of output and more than 40 percent of foreign exchange earnings in the sector. Namibia is one of the largest producers of gem-quality diamonds

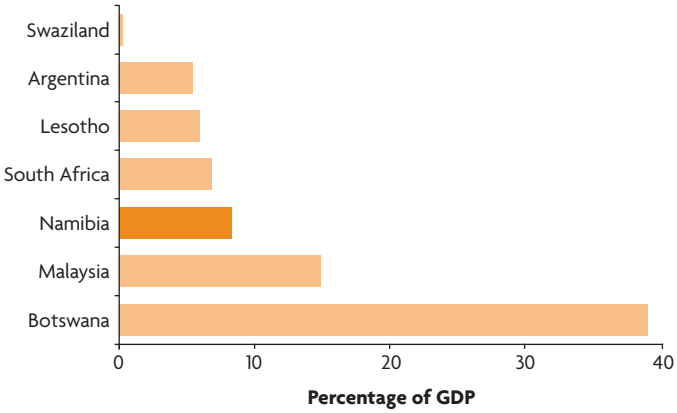
Figure 5: Tourism receipts, selected countries



Source: World Bank 2008f (data for 2006).

in the world: about 98 percent of its mined diamonds are gem-quality. More than 2.3 million carats of gem-quality diamonds were produced in 2006 (Mobbs 2008). Since independence, taxes and royalties on diamonds have averaged 6.5 percent of central government revenues. In recent years, as land-based mines have become depleted, offshore diamond production utilizing advanced marine prospecting and mining technology has accelerated. In 2006, almost half of total production was recovered at sea. Over 90 percent of Namibia's diamonds are produced by Namdeb, a 50-50 joint venture between the government of Namibia and DeBeers (source of data in this paragraph is IMF 2008b except where noted).

Figure 6: Mining accounts for a larger proportion of GDP in Namibia than in South Africa, but a smaller proportion than in comparator countries



Source: World Bank 2008f (2006 data).

But its contribution to growth is expected to decline

An IMF study concluded that while mineral production constitutes a large portion of value added in Namibia's economy, it has so far had minimal impact on the level and volatility of growth (IMF 2008b). In fact, for Namibia the mining sector is relatively less important compared with that of several comparator economies (figure 6). In Botswana, for example, mining and quarrying (mainly diamonds) value added accounts for more than one-third of GDP, while in Angola, oil and gas exports averaged 65 percent of GDP and contributed fiscal revenues of 34 percent of GDP over the past 10 years (IMF 2008b). However, given the inherent risk of declining terms of trade, the IMF is forecasting declining real output growth in the mining sector (IMF 2008b). The industry is constrained by lack of water and limited availability of electricity.

Agriculture retains its dualistic structure

There are two distinct farming systems in Namibia: a large-scale commercial sector that dominates output, and a small-scale communal farming sector that is largely subsistence in nature. About 70 percent of the population relies on agricultural activities for its livelihood (World Bank 2007e). Agriculture's share of GDP averaged 11 percent over the period 2003–07, but annual growth in the sector is highly volatile because of regional and local droughts. Although agriculture's contribution to growth has been weak and slightly negative at times, its average performance has been comparable to that in neighboring countries (World Bank 2007e). Since 1997, the agricultural sector has lost about 40,000 jobs; however, strong sector growth was recorded in 2005, driven by improvement in the livestock industry (SADC 2007).

There are export opportunities in meat and horticulture

The agricultural sector is dominated by livestock farming—cattle, sheep, goat, and pig—though this share has declined from 70 percent in 1995 to 59 percent in 2004. Crop farming, on the other hand, has more than doubled to 17 percent in 2004 from only 8 percent of the total output of the sector in 1995 (World Bank 2007e). *Mahangu* (pearl millet) is the major crop and the staple food in the north and central regions of the country, but unlike wheat and maize, it is not exported.

Box 2 The success story of table grapes

Namibia raises high-quality seedless table grapes for export to Europe, China, and the Middle East. Its competitive advantage results from climatic conditions that enable the grapes to ripen quickly. The development of grape exports was driven by the reduction of the European Union (EU) tariff on seedless table grapes exported by African, Caribbean, and Pacific (ACP) countries, including Namibia, from 8 percent to zero in 2000. Consequently, grape production in Namibia increased from 2,298 metric tons in 1995 to 8,473 metric tons in 2004, and some 3,500 jobs have been created. This advantage, however, has been somewhat eroded by competition from Chile, as attested by a gradual decline in the price of grapes since 1999. Increasing grape exports is dependent on finding new markets and new grape by-products (such as brandy and grape juice). In 2006, Namibian grapes qualified for export to the United States.

Source: World Bank 2007e.

Meat contributes 90 percent of agricultural export earnings and 15 percent of total export earnings (World Bank 2007e). The meat export trade represents a key opportunity for Namibia, although it is currently constrained by the veterinary cordon fence (VCF)[7] that defines the line between the disease-free south and the possibly diseased north of the country. Commercial beef production declined from 1.2 million head in 1992 to 0.9 million between 2000 and 2004, but in 2005 the number of cattle marketed was estimated to have increased by 27 percent (SADC 2007). Difficulties with marketing beef for export because of the VCF are currently the subject of negotiations between the government of Namibia and its trading partners. Beef exports will reach their potential when the VCF is expanded northward. A number of horticultural products raised in Namibia have export potential: avocados, bananas, beans, beets, broccoli, butternut squash, cabbage, carrots, chilies, cucumbers, dates, grapes, lemons, lettuce, mangos, *naartjies* (a type of citrus fruit), onions, oranges, pears, pineapples, and potatoes (box 2).

Processed fish, a key export, has been hit by depleted fish stocks

Namibia's commercial fishing fleet has grown steadily since independence. Fishing and fish processing (both on board and on shore) accounted for almost 7 percent of GDP in the period 1995–2005 and for 17 percent of Namibia's exports (World Bank 2007e). The fisheries sector employed around 13,000 workers in 2004, up from around 7,000 in 1997, with 60 percent working in processing plants (World Bank 2007e). After annual growth of around 3 percent between 1995 and 2005, recent years have seen sharp declines (SADC 2007). Higher fuel prices, the appreciation of the Namibian dollar, and lower catches have all had an adverse impact on fishing costs and have not been offset by higher world fish prices.

Depleted fish stocks caused by overfishing have hampered the development of the fishing industry, despite the imposition of quotas on catch. Total allowable

catches of the most valuable species (hake, monk, and kingklip) are strictly regulated. The government lowered the catch numbers again in the 2006/2007 fishing year and introduced a four-week moratorium on some species. From 2003 to the end of 2007, Namibia's fishing industry relied on preferential access to the EU market under the Cotonou Agreement—more than 90 percent of fish caught were exported, mainly as processed fish to Europe (70 percent) and South Africa (20 percent) (World Bank 2007e).

The manufacturing base is one of the least diversified in Africa

Since independence, Namibia has had very limited industrial development and continues to import most manufactured goods from South Africa. Manufacturing makes up an unusually low share of national output (10 percent), employment (7 percent), and exports (35 percent) (World Bank 2007e), compared with other lower-middle-income countries like South Africa. Moreover, the average growth rate of the manufacturing sector has been relatively slow compared with that of the overall economy, at 3.1 percent over 2003–07. Significantly faster growth in 2007—of nearly 14 percent—was in large part the result of increased prices for processed copper, zinc, and polished diamonds and is therefore vulnerable to international market conditions for these products. The World Bank's Investment Climate Assessment reports a number of constraints to growth in the manufacturing sector, including difficulty accessing finance, poor worker skills, and an antiexport bias reflected by the high common external tariff (World Bank 2007e).

The diversification of the manufacturing sector is very low and comparable to that in Lesotho. Processing of raw materials is the predominant industrial activity. Food and beverage production, which comprises preserved and processed fish and meat, beer and soft drinks, dairy, and other food products, accounts for about 80 percent of manufacturing value added. Output growth in the construction sector is estimated to have surged by 20 percent in 2005, supported by the continuation of large-scale capital projects such as the Northern Railway project, the State House, and other civil construction activities such as roads (SADC 2007).

But the government is committed to supporting broader-based industrialization

Government-sponsored initiatives support broadening and diversifying the industrial base. Namibia's export processing zone (EPZ) program was launched in Walvis Bay in 1995, but firms granted EPZ status can set up companies anywhere in the country. The benefits are generous, including zero corporate tax; zero import duties on imported capital equipment and raw materials; and zero value added tax (VAT), stamp, or transfer duties. According to the World Bank, the EPZ program has not been a success, with only 21 firms operating in EPZs (World Bank 2007e).

Asian-owned firms made large investments in apparel assembly operations to take advantage of Namibia's African Growth and Opportunity Act (AGOA) status, which allows duty-free access to the United States for a long list of products, and to take advantage of spare textile and apparel quotas under the now-expired World Trade Organization's Agreement on Textiles and Clothing (ATC). It was anticipated that the opening of the Ramatex apparel factory in

Windhoek in 2003 would act as a catalyst to attract new international investments to the EPZs. Exports of textiles and apparel to the United States have increased significantly in recent years, from $6.7 million in 2002 to $78.8 million in 2004, representing a third of all exports to the United States (World Bank 2007e). Although the ramifications of the 2005 expiration of the ATC have not yet been fully realized, the consequent increased competition from producers in Asia has led some clothing factories in Namibia to relocate abroad. Others are relying on government support to maintain their operations (World Bank 2007e).

Job creation is not rapid enough to absorb lost agricultural jobs

Despite relatively robust GDP growth since independence, unemployment increased from 19 percent in 1992 to 37 percent in 2004 (IMF 2008b), with a net loss of 20,000 jobs between 1997 and 2004 (World Bank 2007e). The failure to generate sufficient jobs has led to a decrease in labor force participation rate to 48 percent in 2004, compared with 65 percent in South Africa in 2006 (IMF 2008b). Rural unemployment is higher than urban (45 percent compared with 20 percent); women are more likely to be unemployed than men (43 percent compared with 30 percent); and unemployment is especially high among young people, reaching 57 percent in the 20–24 age group (IMF 2008b). Those with less than secondary education face unemployment rates of more than 30 percent (IMF 2008b). By a wide margin, unemployment is widely perceived to be the most important economic problem facing the country today.

Inflation has intensified over the past year

Recent estimates by Namibia's Central Bureau of Statistics show that monthly consumer price inflation stood at 0.4 percent in October 2008, a decline of 0.1 percentage point over the September rate of 0.5 percent that was brought about by a decrease in transport prices (Namibia, Central Bureau of Statistics 2008). National statistics indicate that despite monthly inflation declining in August, September, and October, inflation is still set to be dramatically higher in 2008 as a whole than in 2007 (the annual rate was 12 percent as of October, compared to 6.6 percent one year earlier). In 2009, however, the steep decline in global fuel prices that began in 2008 should contribute to an annual decline in inflation in Namibia.

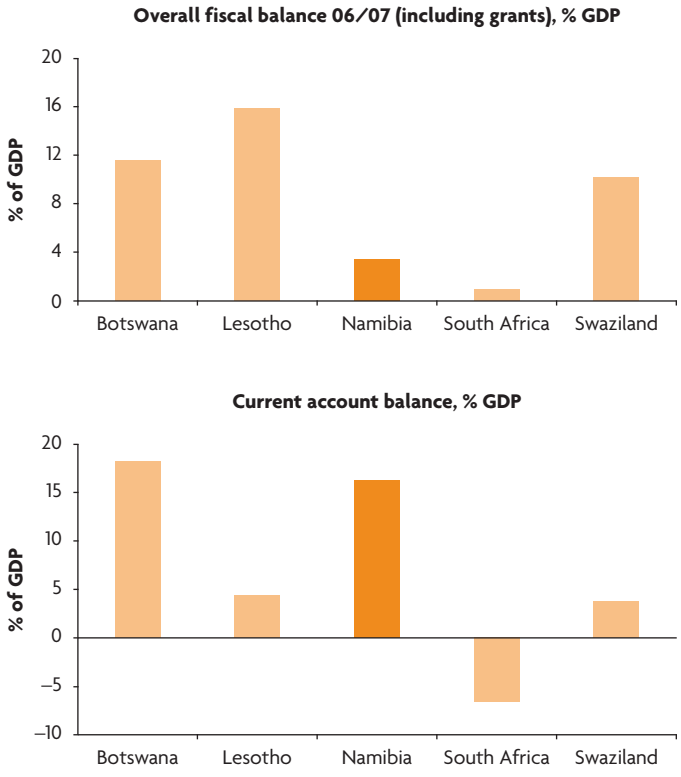
Prudent policies have created a stronger fiscal position

Namibia's strong record of macroeconomic stability since independence is based in part on a credible peg to the South African rand through its membership in the Common Monetary Area (CMA),[8] which also links Namibia to South Africa's inflation-targeting framework. For 2003–07, Namibia's average output growth of about 4.7 percent exceeded that of other CMA countries, Lesotho, South Africa, and Swaziland. Inflation, however, picked up in 2006 and 2007 as the global commodity boom intensified. On balance, the government has pursued prudent fiscal policies, reducing the deficit[9] from 7.5 percent of GDP in 2003/04 to 3.4 percent in 2004/05 and crossing over to a surplus of 3.4 percent in 2006/07 (IMF 2008c). A fiscal surplus of 2.6 percent is projected for 2007/08, which should help reduce public debt to 23 percent of GDP, undershooting the debt-to-GDP ceiling by 2 percentage points (IMF 2008c).

There are uncertainties about future SACU revenue, however

The improvement in fiscal performance was largely the result of a surge in Southern African Customs Union (SACU) revenue, rather than to expenditure restraint. SACU receipts are estimated to have contributed 43 percent of total revenue and grants in 2006/07 and are estimated to be about the same for 2007/08 (figure 7). This source of revenue has increased greatly since 1997/1998, when it was only about 30 percent of the total. Over the medium term, to 2012, the IMF projects that SACU revenue will be around 11–12 percent of GDP, financing about one-third of public spending (IMF 2008c). However, these receipts are vulnerable to revision of the revenue-sharing formula agreed by SACU members, an issue already under discussion.

Figure 7: Though Namibia's fiscal balance is lower than that of most of its SACU counterparts, its current account surplus is one of the strongest



Sources: Upper figure, IMF 2008c (2006/07 data); lower figure, World Bank 2008f (2006 data).

The government needs to strengthen tax collection and improve quality of public spending

With a strong primary balance, the budget is well placed to weather declines in SACU revenues without breaching the deficit ceiling. Given the volatility associated with SACU receipts, however, the government needs to strengthen tax administration to mobilize domestic revenue. In the new medium-term expenditure framework (MTEF), the government introduced a number of reforms, including a system of rewards and penalties for line ministries to encourage them to make greater efforts to collect revenue for the services they deliver and to clamp down on tax evaders through targeted audits (OECD 2007).

Namibia's public wage bill relative to GDP is one of the highest in Africa, despite having declined to 13 percent of GDP in 2006/07 from a high of 15 percent three years prior (IMF 2008c). The government understands the desirability of reorienting spending away from wages and subsidies toward priority sectors such as health, education, and infrastructure. To this end, the government has put in place an integrated financial management system that will improve the management of all the transactions between the Ministry of Finance and line ministries.

Namibia is benefiting from a favorable external environment

In recent years, booming exports in diamonds and other minerals, reflecting higher international prices, have narrowed the trade deficit, while the surge in SACU revenues has increased the current account surplus. The surplus was 16 percent of GDP in 2006, a sharp increase over 5 percent in 2005 that has risen even more in subsequent years. In fact, Namibia has experienced uninterrupted current account surpluses since independence in 1990, a record unusual among lower-middle-income countries. Almost all of the strong performers were exporters of petroleum products or, like Namibia, mineral exporters, benefiting from high global commodity prices. Large current account surpluses, however, have raised questions about currency valuation. Debate surrounding the fixed-exchange-rate regime as a result of Namibia's membership in the CMA reveals

mixed arguments in favor of and against the current regime. There is a view that as a small, open economy, Namibia's exchange-rate policy should primarily be directed toward the achievement of price stability. But the promotion of export competitiveness will become increasingly important as Namibia diversifies its exports structure to non-resource-based products and the exchange rate becomes a critical variable (World Bank 2007e).

The medium-term outlook reflects several risks

The medium-term outlook for Namibia has deteriorated in recent months, despite the country's pursuit of solid macroeconomic and structural policies, as the global economic slowdown has taken hold. Specifically, Namibia faces weakened demand for its mineral exports (with adverse effects on fiscal revenues), a likely slowdown in foreign investment resulting from the global liquidity shortage, and higher import prices due to the depreciation of the Namibian dollar along with the South African rand (IMF 2008d). Economic growth is expected to decline in 2009. Inflation, though, which increased dramatically through much of 2008, eased enough by December that Namibia's central bank cut its benchmark interest rate by half a percentage point, the first reduction in more than three years.

Environment

Home to diverse natural wealth

Despite being the most arid country in Sub-Saharan Africa, Namibia is known for its highly diverse ecosystems and species. Its 823,000 square kilometers range from desert (16 percent) to woodlands (20 percent) to savannas (64 percent). Because of the low and erratic rainfall and scarce ground and surface water, less than 5 percent of the country is considered fit for arable agriculture, including through irrigation (World Bank 2006). The two main deserts are the Namib (bordered by the Atlantic Ocean) and the Kalahari (bordered by Botswana in the east). These deserts are home to mineral resources (such as diamonds, semiprecious stones, uranium, and copper) that support a large mining industry, in addition to myriad plant and animal species. The broad-leafed forests and woodlands located in the northern and northeastern parts of the country provide livelihoods from the sale of firewood, building materials, medicinal plants, wildlife, and food. The central area is covered by wooded grassland and bushland and supports crops and livestock for a majority of the population, in addition to diverse wildlife that form the basis of a large and growing tourism industry (Namibia, National Planning Commission 2008).

Poor policies have been a catalyst in environmental degradation

One of Namibia's key challenges since independence has been to redress the inequitable colonial policies that led to the overexploitation of the country's natural resources. Unregulated fishing in coastal waters, for example, led to the depletion of many fish species. Policies that allocated land along racial groups forced people into communal areas and led to overgrazing and overcultivation. The absence of land tenure and ownership rights is an ongoing issue addressed in key pieces of legislation: the National Land Policy of 1998 and the National Resettlement Policy of 2001 (Namibia, National Planning Commission 2008).

Since independence, however, government recognition that conservation of Namibia's natural resources is key to the country's economic and social welfare has been enshrined in legislation and policies, as well as in the country's participation in international environmental commitments. The government of Namibia adopted an environmental agenda detailed in the Green Plan in 1992. Subsequently, the Ministry of Environment and Tourism (MET), together with other line ministries, have formulated and implemented a range of cross-sector legislation and policies to conserve natural resources while improving local communities and the national economy. These policies are consistent with the government's Vision 2030 objectives, integrated with the national development plans (NDPs), and aligned with the MDG of ensuring environmental sustainability (World Bank 2008a).

A range of environmental challenges require attention

Natural and man-made issues threatening Namibia's habitats and ecosystems include water scarcity, land and soil degradation, deforestation, human-wildlife conflicts, coastal and marine overexploitation, unrehabilitated mines, biodiversity loss, urban pollution, and global warming. Table 3 compares key environmental data for Namibia, Sub-Saharan Africa, and middle-income countries. Usage of biomass products for energy—and especially electricity generation using fossil fuel—in Namibia compare very favorably with the two composites. Deforestation, however, is occurring in Namibia at a rate roughly four times that of middle-income countries as a group.

A high proportion of Namibia's population (about 93 percent) has access to an improved water source, a rate approximately equal to that of Botswana and South Africa and higher than in Angola, Zambia, or Zimbabwe. Access to improved sanitation facilities, however, is significantly lower than in all neighboring countries and just 4 percentage points above the Sub-Saharan African regional average. Peru, for example, another lower-middle-income country, is performing better than Namibia on most measures of environmental sustainability. The outbreak of cholera in Namibia in May 2008 and the high incidence of malaria in the northern parts of the country are a manifestation of poor sanitation facilities. The government, along with other stakeholders, therefore, must take aggressive steps in implementing policies and programs aimed at improving sanitation, especially in rural areas, where only 18 percent of the population has access to improved sanitation facilities.

Freshwater scarcity is a perennial issue

Namibia's environment is generally considered water-constrained. Rainfall is relatively low and highly variable, and droughts are a normal and common occurrence. Rainfall ranges from less than 50 millimeters per year in deserts to more than 600 millimeters per year in wetlands and savannas (Namibia, Ministry of Environment and Tourism n.d.(b)). The country has no perennial rivers or any other permanent water bodies. The large inland dams suffer from high evaporation rates. Namibia's limited supply of surface water means that it is highly dependent on groundwater sources for human consumption, livestock watering, and agricultural irrigation, as well as for industrial processes. Groundwater sources are facing increasing pollution from pesticides and excess fertilizers. The Namibian Drought Policy and Strategy of 1997 encourages farmers to adopt self-reliant approaches to drought risk and to minimize degradation of the natural resource base during drought (DRFN

Table 3: Environmental indicators in Namibia versus Sub-Saharan Africa and middle-income countries

	Namibia	Sub-Saharan Africa	Middle-income countries
Agriculture			
Agricultural land (% of land area)	47	44	35
Irrigated land (% of cropland)	1.0	3.5	18.2
Fertilizer consumption (100 grams per hectare of arable land)	19	–	1,331
Rural population density (rural population per square kilometers of arable land)	161	351	471
Forests			
Forest area (% of land area)	9.3	26.5	33.8
Deforestation (average annual %, 1990–2005)	0.9	0.7	0.2
Nationally protected areas (% of total land area)	5.6	11.3	11.7
Energy			
GDP per unit of energy use (constant 2005 PPP $ / kilogram of oil equivalent)	6.7	2.7	4.0
Per capita energy use (kilograms of oil equivalent)	683	681	1,486
Energy from biomass products and waste (% of total)	13.5	56.3	10.3
Energy imports, net (% of energy use)	76	–61.7	–27
Electricity generated using fossil fuel (% of total)	3.0	76.1	71.5
Electric power consumption (kilowatt-hours per capita)	1,428	542	1,928
Emissions and pollution			
CO_2 emissions per unit of GDP (kilograms / 2005 PPP $ GDP)	0.3	0.6	0.7
CO_2 emissions (metric tons per capita)	1.2	0.9	3.95
Particulate matter (urban-population-weighted average, micrograms/cubic meter)	42	60	56

Source: World Bank 2008c.

Note: – = not available. Data for Namibia is for 2003, 2004, or 2005.

2007). Currently, the demand for water exceeds supply. To meet future demand, particularly in urban areas, expensive new water sources such as desalination plants and new dams will need to be developed.

Unsustainable land use leads to land and resource degradation

Land degradation, along with environmental threats such as extreme seasonal flooding or droughts, potentially linked to the long-term impacts of climate change, can lead to disaster situations in a fragile country such as Namibia. Evidence of land and resource degradation includes groundwater depletion; soil erosion; declining land productivity; and loss of woody vegetation, shrub, and ground cover. Research indicates that open access, habitat conversion, and overexploitation of resources are among the main causes of land degradation in Namibia. Bush encroachment (invader bush), for example, is estimated to have affected 26 million hectares of savanna and woodland in Namibia and led to an estimated loss of income from livestock farming of up to $1 million per year (DRFN 2007). In general, identification of sustainable land management practices is essential[10] to preserve habitats and ecosystems to benefit farmers and other users of other natural resources (World Bank 2006).

Deforestation is an unnecessary waste of woodland resources

Forests and woodlands form an integral part of the livelihood of poor rural households in Namibia, who can generate significant income from selling firewood for fuel, building materials, charcoal, food, and medicinal plants. Plant foods are among the most important nonwood forest products, and fruits, nuts, and tubers form a large proportion of the diet of poorer segments of the population. Of the 157 tree species in Namibia, 35 percent are a source of food (FAO 2006). Deforestation, however, occurred at an annual average of 0.9 percent over 1990–2005, faster than in Sub-Saharan Africa as a whole (World Bank 2008c). The rate is worrisome, given that forests represent only 9 percent of land area in Namibia. Deforestation, caused by inappropriate farming methods, ill-conceived subsidies, extensive land clearing, and repeated burning, has been most severe where population density is highest. It has led to soil erosion from increased rainfall runoff, changes in the local water cycle, and loss of biodiversity.

In addition, inequitable access to woodlands and insufficient tenure over woodland resources lead to unsustainable resource usage. The Forest Act of 2001 created communal forests, whereby all resources, including grazing and water, are jointly managed. Income-producing schemes (such as setting aside forest areas specifically for charcoal production) are being piloted. As of 2006, 13 community forests, covering about 1.3 million hectares accessible by about 239,000 people, have been established, and another 16 community forest areas are planned (Namibia, National Planning Commission 2008). One study indicates that rural households can accrue up to 4,000 Namibian dollars (N$) per year through income generation plans implemented through the community forest program (Namibia, National Planning Commission 2008).

Coastal and marine resources are fragile

Namibian coastal ecosystems are extremely fragile and are increasingly being disturbed by growing economic development and human activities that increase levels of pollution. The offshore environment is a source of many important

sectors of the economy: fisheries, mining, and energy. Despite this, Namibia has one of the most productive fishing grounds in the world, and these grounds are an important source of foreign exchange and a significant employer. Sustainable yields of commercially exploitable fish species fluctuate because of climatic conditions and overfishing. The increase in shallow- and deepwater diamond mining over the 130 kilometers of coastal strip north of the Orange River is also adding to the competition for resources. Although research studies suggest that there is no causal relationship between increased marine diamond mining and the decline in fish catch rates experienced in recent years, the issue remains a source of conflict between the two industries. The formation of committees on which all the major stakeholders are represented appears to be the current trend for preempting and resolving conflicts as they arise (Clark et al. 1999).

Inadequate regulatory framework for minerals

The mining industry is regulated by the Mineral Act of 1992, which was promulgated after independence to repeal old legislation inherited from the colonial regime. Because of inadequate coordination between the Ministry of Mines and Energy and the Ministry of Environment and Tourism, there is currently little effective environmental management within the industry. New health and safety regulations, a mining charter, and new minerals legislation are all under review. While mining makes a very important contribution to the economy, it has also contributed to environmental degradation. Diamond mining in the *Sperrgebiet* (a 100-kilometer-wide restricted area in the southern Namib Desert) has inflicted surface damage in the coastal regions with trenches, mining blocks, and roads that scar the landscape. This could have an discernible impact on tourism land use. On the upside, because the *Sperrgebiet* was a restricted area, the majority of its 26,000 square kilometers have remained in a near-pristine state. The area contains significant levels of biodiversity, is considered a national conservation priority, and became a national park in 2004 (Namibia, Ministry of Mines and Energy n.d.).

Abandoned and decommissioned mines are another issue. The government estimates that there are more than 240 abandoned mine sites whose rehabilitation now rests with the government. Currently, the issuance of mining licenses requires proof of funds for rehabilitation. However, before 1980, rehabilitation was not enforced, and large areas have been left scarred and unrehabilitated. Some of the damage was caused by companies that no longer operate, and the present holders of mining licenses for these areas cannot be held responsible. Limited funding and the inherent problems of rehabilitation in arid areas are the biggest constraints (Namibia, Ministry of Mines and Energy n.d.).

Increasing pressure on biodiversity

Despite its very dry climate, Namibia holds a remarkable variety of habitats and ecosystems. The Namib Desert runs along the length of the coast extending into the northwestern corner of South Africa. Because the region is isolated between the ocean and the escarpment, it has remained a relatively stable environment for the evolution of desert species. Another significant biodiversity hotspot is the *Sperrgebiet*, which is home to the Succulent Karoo Ecosystem in the southern Namib Desert (box 3). It is one of the few arid biodiversity hotspots in the world and constitutes a refuge for an exceptional level of succulent plant diversity (Convention on Biological Diversity 2008).

Box 3 A high level of biodiversity within the Succulent Karoo ecosystem

Stretching along the Atlantic coast from South Africa into southern Namibia, the Succulent Karoo biodiversity hotspot covers 116,000 square kilometers of desert. It is one of the 25 richest and most threatened reservoirs of plant and animal life on Earth. These biodiversity hotspots cover only 1.4 percent of the planet, yet contain 60 percent of all terrestrial species diversity.

The Succulent Karoo contains the highest level of biodiversity in Namibia, including high concentrations of unique plants and large numbers of reptiles, amphibians, and wild populations of gemsbok, springbok, and carnivores such as the brown hyena. Conversion pressure on the area has benefited from the sparse population, approximately 300,000 people, and the fact that more than 90 percent of the area is used for natural grazing. Nonetheless, only 30,000 square kilometers of the original vegetation remains in a relatively pristine state, and species are already experiencing the impact of human-induced climatic change. As a result of existing pressures, many of the plant species should be listed as threatened (currently less than 1 percent are listed as threatened species by the IUCN Red List of Threatened Species).

The Succulent Karoo Ecosystem Programme is a 20-year strategy that guides conservation in this area. Its development and implementation is supported by the Critical Ecosystem Partnership Fund and multiple stakeholders at the invitation of the Ministry of Environment and Tourism and with the support of Conservation International's Global Conservation Fund.

Sources: http://www.skep.org; Critical Ecosystem Partnership Fund 2004.

Namibia's biodiversity is under pressure from poaching, expanding agriculture, and pollution. In the past, efforts at sustainable natural resource management have often been thwarted by ineffective and outdated legislation. The National Biodiversity Strategy, together with the Strategic Action Plan (2002–10), set national priorities for sustainable development through conservation and use of biological diversity. Implementation of these strategies, however, has been limited and slow (World Bank 2005).

In 1996, Namibia adopted a "conservancy" approach to wildlife management: a system in which communal landowners promote the sustainable management of wildlife while improving their livelihoods. Conservancies also help Namibia to meet its commitments to conserve biodiversity by, for example, protecting threatened species and protecting the land corridors adjacent to protected areas through which wildlife can move. As of 2005, 44 communal area conservancies covered almost 80,000 square kilometers (about 35 percent of all communal land) and were home to about 210,000 people. Approximately another 20 communal area conservancies are in various stages of development.

Urban pollution will be a future challenge

Namibia is a country undergoing rapid urbanization: urban residents increased from 30 percent of the population in 1995 to 36 percent in 2007. Although available statistics indicate that pollution levels for air and water are still relatively

low, the growing urban population will create more pollution and waste (Tarr 2002). In addition, vehicle density and use in the urban areas are currently not sufficient to lead to major problems. Given the scarcity of potable water, however, water pollution from pesticides and fertilizers (as well as other sources) is an increasing concern.

Climate change poses a threat to the natural resources-based economy

Climate change is considered one of the most serious threats to Namibia's environment because of the country's dependence on agriculture and other natural resource sectors. Climate factors such as droughts have already adversely affected agriculture. Marine fisheries are threatened by possible changes to the nutrient-rich Benguela ocean current because any changes could impact marine diversity and influence catch levels of many species. The predicted rise of 0.3 meter or more in sea level would inundate significant parts of Walvis Bay, the main port of Namibia, and possibly the coastal towns of Swakopmund and Henties Bay. A combination of floods caused by heavy rains and devastating cyclones (mostly in the Caprivi region) in 2007, rising freight rates worldwide, and substitution of ethanol production for food production have contributed to rising food prices in Namibia.

Along with the problem of rising food prices, the population of Namibia is facing other imminent threats resulting from climate change. The propensity for flooding and poor access to improved sanitation increase the population's susceptibility to outbreaks of cholera and other diseases. Projected changes in climate could extend the area at risk of malaria, a significant cause of adult mortality, southward into the center of the country. Finally, while most of Namibia's electricity is imported, the balance is generated locally by a hydroelectric plant on the Kunene River and two thermal power stations at Windhoek and Walvis Bay. During periods of drought and low river flow, electricity production on the Kunene River is severely curtailed. Under climate change scenarios of increased evaporation and reduced rainfall, electricity generation would be adversely affected (World Bank 2008a).

The cost of climate change in Namibia could be very significant

Research by the International Institute for Environment and Development (IIED)[11] suggests that the impact of climate change on natural resources sectors could reduce the country's GDP significantly. Under the best-case scenario, under which agricultural impacts would be partly offset by improved water distribution, there would be no impact on fisheries, and GDP would decline by about 1 percent over 20 years (Reid and others 2007). Under the worst-case scenario, large-scale shifts in climatic zones would reduce agricultural and fishing outputs and GDP would drop by almost 6 percent. The poorest segments of the population would experience the most substantial declines in wages.

Namibia is signatory to many international environmental frameworks

Namibia actively supports several international environmental treaties and conventions that it has used to support national priorities, particularly the United Nations Framework Convention on Climate Change, the Convention on International Trade in Endangered Species (CITES), and the Convention on Biological Diversity. With respect to other frameworks, Namibia has not yet been able to

take full advantage of the instruments contained in the conventions, including the Vienna Convention for the Protection of the Ozone Layer, the Ramsar Convention on Wetlands, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, and the United Nations Convention to Combat Desertification.

Government spending on environmental protection varies by country

Table 4 attempts to provide a comparison of Namibia's expenditures relative to some comparators. Namibia is spending about 0.24 percent of GDP on environmental protection, higher than low-income Ghana, while Madagascar's high level of spending reflects donor support for biodiversity conservation. Among Latin American middle-income countries, Colombia is a good comparator because its income per capita and share of government expenditures in GDP are similar. Bilateral funding to the environmental sector is declining, while multilateral funding sources are becoming more common (Reid and others 2007; World Bank 2008a).

Table 4: Environmental expenditure in Namibia and comparator countries

	% of GDP	% of central government expenditure
Ghana	0.02	0.10
Madagascar	0.47	2.00
Namibia	0.24	0.70
Argentina	0.10	0.55
Chile	0.48	2.57
Colombia	0.30	0.96
Mexico	0.65	4.22

Source: World Bank 2008a.

Note: Figures for African countries are for 2005 or 2006; those for Latin American countries are for 2003.

Governance and Business Environment

Since independence in 1990, Namibia has enjoyed political and economic stability. It has worked toward deepening its democratic institutions, adopting a wide array of reforms and policies to transform the social fabric of the country. These include increasing the accessibility of education, health care, housing, water resources, and other social services for the majority of the population that were previously excluded. The business environment has also been strengthened by the development of strong institutions, an independent judiciary, a liberal foreign investment framework, and a generally competitive business environment.

Traditional measures of a country's competitiveness, such as the real effective exchange rate (REER), do not suggest that Namibia has a competitiveness problem. Likewise, labor productivity, another measure of competitiveness, appears to have grown more in Namibia than in its neighbors during 2000–05, although absolute productivity levels are still below those of South Africa. Other indicators give a mixed view of the country's competitiveness: terms of trade have been volatile, and share of world trade has fallen steadily.

Rankings of Namibia's business and competitiveness environment present a mixed picture

According to the *Doing Business 2009* report (World Bank and IFC 2008), Namibia ranks 51st out of 181 countries, a slight drop from 48th out of 178 countries the previous year (table 5). Despite the reduction in the average time to open a business from 99 to 66 days between the two reports, Namibia's overall rank for starting a business dropped due to even more significant improvements in other countries. A similar scenario played out for the category of protecting investors, which experienced the second-largest decline in rank.

Table 5: Namibia made slight improvements registering property and getting credit in 2008, but backtracked or remained the same in other areas

Indicator	*Doing Business* 2008 rank	*Doing Business* 2009 rank	Change in rank
Ease of doing business (overall)	**48**	**51**	**–3**
Starting a business	104	112	–8
Dealing with construction permits	38	38	0
Employing workers	34	34	0
Registering property	130	129	+1
Getting credit	13	12	+1
Protecting investors	66	70	–4
Paying taxes	95	96	–1
Trading across borders	148	150	–2
Enforcing contracts	32	36	–4
Closing a business	50	52	–2

Source: World Bank and IFC 2008.

Note: Measurements of rank reflect Tanzania's performance among 181 countries in 2009 and 178 countries in 2008; lower rank indicates better performance.

For some *Doing Business* categories, such as starting a business, registering property, and trading across borders, Namibia performs in the bottom 25 percent of countries ranked. To start a business in Namibia, for instance, it takes 99 days, almost twice the regional average. In other areas, such as dealing with licenses, employing workers, getting credit, and enforcing contracts, Namibia performs well. But in sum, Namibia outperforms Sub-Saharan Africa as a whole in 35 of 41 indicators (table 6).

Namibia ranked 88th out of the 128 countries measured in the 2007–08 version of the World Economic Forum's

Table 6: Namibia outperforms Sub-Saharan Africa on 35 of 41 business environment indicators

Indicator	Namibia	Sub-Saharan African average
Starting a business (rank)	**112**	
Procedures (number)	10	10.2
Time (days)	66	47.8
Cost (% of GNI per capita)	22.1	111.2
Minimum capital (% of GNI per capita)	0.0	173.4
Dealing with construction permits (rank)	**38**	
Procedures (number)	12	17.2
Duration (days)	139	271.1
Cost (% GNI per capita)	181.8	2,574.4
Employing workers (rank)	**34**	
Difficulty of hiring index (0–100)	0	39.0
Rigidity of hours index (0–100)	40	43.5
Difficulty of firing index (0–100)	20	41.5
Rigidity of employment index (0–100)	20	41.3
Firing cost (weeks of wages)	24	68.3
Registering property (rank)	**129**	
Procedures (number)	9	6.8
Duration (days)	23	95.6
Cost (% of property value)	9.9	10.5
Getting credit (rank)	**12**	
Legal rights index (0–10)	8	4.5
Credit information index (0–6)	5	1.4
Public registry coverage (% of adults)	0.0	2.5
Private bureau coverage (% of adults)	59.6	4.8
Protecting investors (rank)	**70**	
Disclosure index (0–10)	5	4.6
Director liability index (0–10)	5	3.2
Shareholder suits index (0–10)	6	5.0
Investor protection index (0–10)	5.3	4.3
Paying taxes (rank)	**96**	
Payments (number)	37	37.8
Time (hours)	375	311.7
Profit tax (%)	16.7	21.5
Labor tax and contributions (%)	1.0	13.2
Other taxes (%)	7.6	32.0
Total tax rate (% of profit)	25.3	66.7
Trading across borders (rank)	**150**	
Documents to export (number)	11	7.8
Time for export (days)	29	34.7
Cost to export (dollars per container)	1,686	1,878.8
Documents for import (number)	9	8.8
Time for import (days)	24	41.1
Cost for import (dollars per container)	1,813	2,278.7
Enforcing contracts (rank)	**36**	
Procedures (number)	33	39.4
Duration (days)	270	659.7
Cost (% of claim)	29.9	48.9
Closing a business (rank)	**52**	
Time (years)	1.5	3.4
Cost (% of estate)	15	20.2
Recovery rate (cents on the dollar)	39.5	16.9

Source: World Bank and IFC 2008.

Note: Measurements of rank reflect Namibia's performance among 181 economies; lower rank indicates better performance. For the "employing workers" indexes, higher values indicate more rigid regulations. For the "getting credit" indexes, higher values indicate stronger legal rights and greater availability of credit information. For the "protecting investors" indexes, higher values indicate greater extent of disclosure, greater liability of directors, greater power of shareholders to challenge a transaction, and stronger investor protection. — = not available.

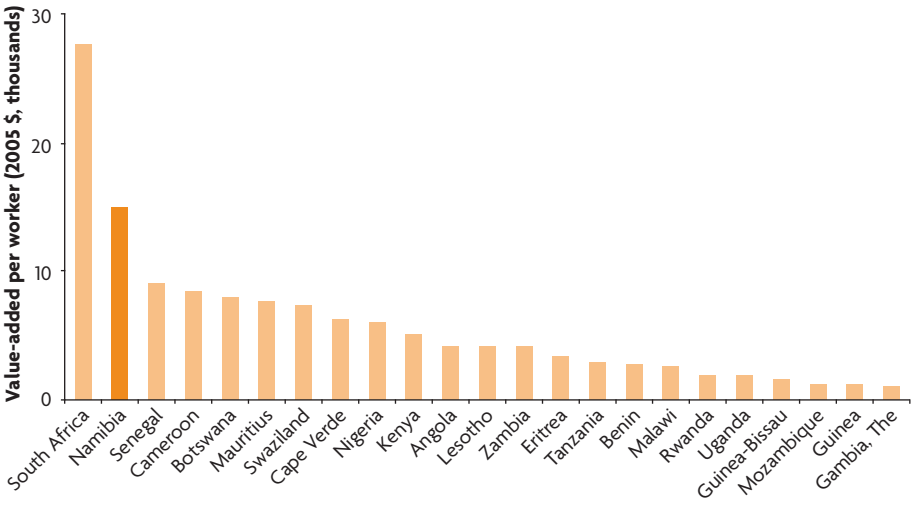
Global Competitiveness Index (GCI), about the same as the previous year when it was ranked 79th out of 117. Examining the GCI components shows that Namibia has a number of competitive strengths, including quality of its institutions, quality of the infrastructure, macroeconomic environment, and soundness of banks. With respect to weaknesses, Namibia ranks near the bottom on indicators that include higher education and training, stringent hiring and firing practices, and friction in labor-employer relations.

A new report jointly authored by the World Economic Forum, the World Bank, and the African Development Bank (2007) examines the factors necessary to make African businesses more competitive. Its main conclusions are that good policies are critical for a sound business environment and that countries that have implemented sound policies score better on competitiveness rankings. Namibia ranks 10th of all countries in Africa. The report found Namibia's main strengths to be the quality of institutional environment and infrastructure and the sophistication of its financial markets, and its chief constraints to be an inflexible labor market; a low-quality educational system; and high prevalence rates of malaria, tuberculosis, and HIV.

Namibian firms are productive, and unit labor costs are low

The World Bank's Investment Climate Assessments (ICAs), which evaluate the productivity and competitiveness of the private sector in individual countries, indicate that Namibian firms are very productive: of the Sub-Saharan African countries surveyed thus far, both labor and total factor productivity of small, medium, and large enterprises (SMLEs) in the manufacturing sector in Namibia are higher than those of all countries except South Africa (World Bank 2007a).[12] Figure 8 shows manufacturing labor productivity in a variety of Sub-Saharan African countries. In terms of productivity, Namibia also compares favorably

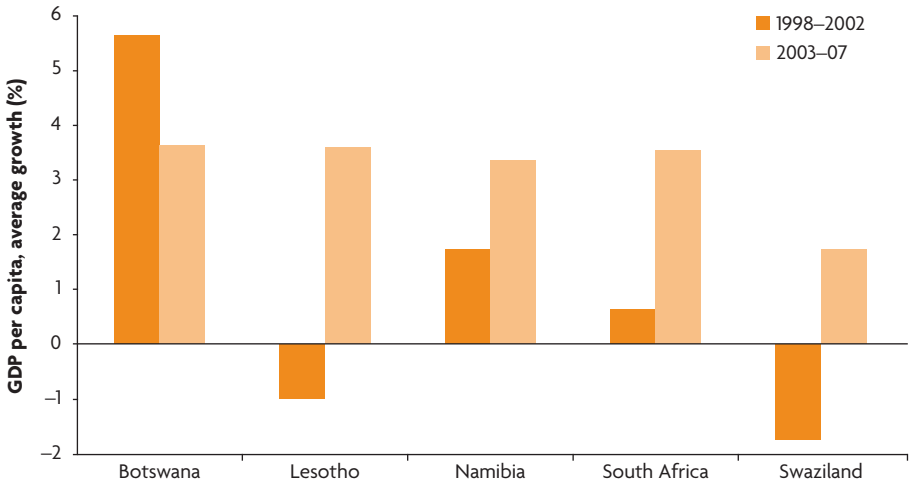
Figure 8: Labor productivity in manufacturing SMLEs in Namibia is high compared to that in other Sub-Saharan African countries



Source: World Bank 2007a.

Note: Data presented are for years between 2002 and 2005, depending on survey period for each country, and are shown for each country in which the World Bank has conducted an Investment Climate Survey. Data collected prior to 2005 have been converted to 2005 figures using GDP deflators and 2005 exchange rates.

Figure 9: Productivity growth in Namibia has been higher than that in most neighboring countries in recent years



Source: World Bank 2008f.

with middle-income comparator countries such as Malaysia. In addition, Namibia's overall productivity growth per capita has been higher than that in neighboring countries in recent years (figure 9).

Although productivity is a key competitiveness indicator, wage levels are also important because productive firms can become uncompetitive if wages are too high. In Namibia, the median monthly wage for full-time permanent production workers is close to $300, considerably higher than that in most low-income Sub-Saharan African countries and also higher than that in many less productive comparator countries such as Botswana and Swaziland (World Bank 2007a). Only South Africa and Chile, among comparator countries, have higher average wages. However, unit labor costs (labor costs as a percentage of value added) take differences in productivity into account and are a better measure of the net impact of labor costs on competitiveness. Unit labor costs were found to be relatively low in Namibia and similar to unit labor costs in Botswana, Malaysia, and Swaziland, while considerably lower than those in Lesotho, Mauritius, and South Africa. This suggests that labor costs are probably not a huge drag on competitiveness, although other issues such as abrasive labor relations and an inadequately skilled labor force are known to harm Namibia's competitiveness.

Microenterprises, however, are considerably less productive

Although it is not surprising that microenterprises are less productive than their SMLE counterparts, the size of the gap in productivity between the former and the latter in Namibia is unusual. The median SMLE in Namibia produces more than $15,000 of output per worker, while the median manufacturing microenterprise produces less than 10 percent of that amount—about $1,400 of output per worker (World Bank 2007a). In both Botswana and Swaziland, for example, the median microenterprise produces about 50 percent less than the median SMLE. One possible explanation for the gap in Namibia is the low level of education among microenterpise managers—only 12 percent have completed a university education in Namibia, compared with 32 percent in Botswana.

Table 7: Namibia is an average performer among comparator countries, according to Transparency International's Corruption Perceptions Index

	Rank	Score	Confidence range
Botswana	36	5.8	5.2–6.4
South Africa	54	4.9	4.5–5.1
Namibia	**61**	**4.5**	**3.8–5.1**
Lesotho	72	3.6	2.9–4.3
Swaziland	92	3.2	2.3–3.8

Source: Transparency International 2008.

Note: "Score" ranges from 10 (highly clean) to 0 (highly corrupt).

Firms view the investment climate as relatively conducive to business

According to the World Bank's Investment Climate Assessment, for which firms in Namibia ranked 17 areas—including competition from the informal sector, crime, taxation, worker education and skills, corruption, regulation, and infrastructure—the investment climate in Namibia is comparable to that in other middle-income countries. While no single area stood out as a serious obstacle to the investment climate by a majority of firms, crime was identified by 28 percent of firms as a constraint, followed by tax rates, worker skills, and corruption (World Bank 2007a). Evidence suggests that the direct costs associated with crime are high, with the combined costs of crime and security totaling about $132 per worker per year, or about 0.5 percent of sales. This is higher than those in any other comparator countries except South Africa and Argentina (World Bank 2007a). Microenterprises, on the other hand, most often cited access to credit as a constraint. Although managers are concerned about corruption, the ICA did not find it to be significantly higher than that in comparator countries. Likewise, Transparency International rates Namibia an average performer among its Southern African comparator countries. Of the 180 total countries ranked in the organization's 2008 Corruption Perceptions Index, Namibia ranks 61st (table 7).

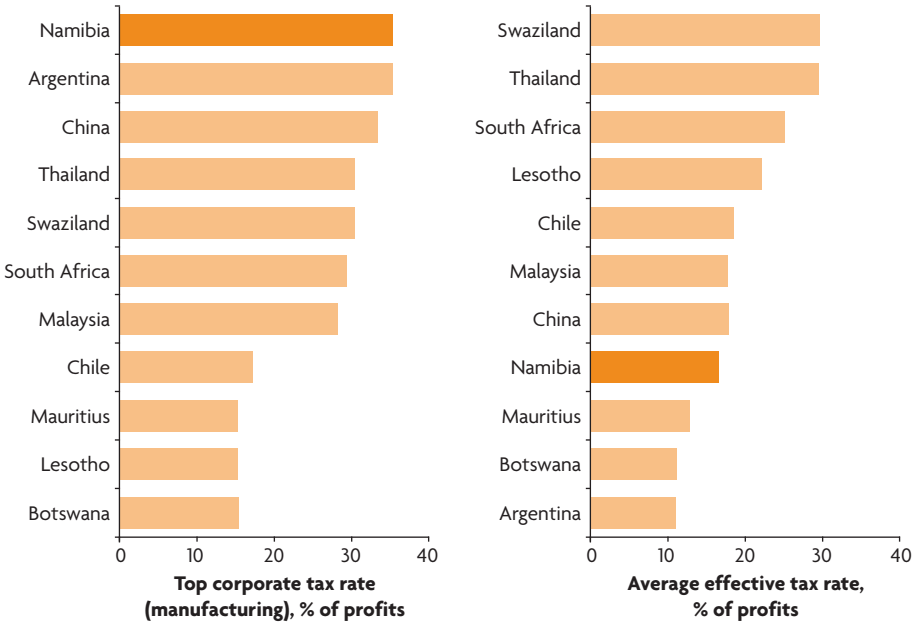
Nearly a third of manufacturing SMLEs in Namibia believe that inadequate worker skills and education are a serious obstacle to business. One-third report that their typical workers have between zero and six years of schooling and that many workers with more years of schooling are also inadequately skilled. The causes of skills deficiency have been identified as poor instruction in schools, a curriculum that is not in line with the required skills in the labor market, or lack of firm-based training. In a 2000 study of 11 countries in southern Africa, Namibia ranked lowest for math scores and third from lowest for reading scores, above only Zambia and Malawi (World Bank 2007a). About 44 percent of manufacturing SMLEs provide training, compared with 93 percent in China, 76 percent in Thailand, and 64 percent in South Africa (World Bank 2007a). Namibia is in the bottom third of countries with respect to training provision.

The legal environment surrounding private investment needs overhauling

The legal framework for investment in Namibia, comprising the Foreign Investment Act of 1990, the Export Processing Zones Act of 1995, and various other tax and customs laws and administrative practices, is considered weak in terms of establishing an adequate investment environment. The incentive regime has had poor results in terms of attracting new investment: there have been only about 100 firms approved as qualifying manufacturers, and there are only 19 firms in EPZs (FIAS 2006). The government is therefore exploring ways to revamp the investment framework.

With respect to tax rates, although the basic corporate income tax rate of 35 percent is higher than that in most comparator countries, there are many investment incentives that can reduce a firm's tax burden, making the effective tax rate relatively low among competitors (figure 10) (World Bank 2007a). However, according to a Foreign Investment Advisory Service (FIAS) report on Namibia, the incentive regime is overly complex and a lower basic rate should be introduced. There are effectively seven corporate income tax rates: the general rate of 35 percent; three other bands for manufacturing, depending on the incentives granted; one for diamond mining; one for other mining; and one for EPZ compa-

Figure 10: Though the basic corporate tax rate in Namibia is high, incentives can reduce the effective rate so that it is lower than in most comparator countries



Source: World Bank 2007a.

nies. The marginal effective tax rate (METR) on capital investments in Namibia, even without any targeted incentives, is quite low by international and regional standards, ranging from 0 percent to 16 percent (FIAS 2006).

Infrastructure is not a major constraint to business

Compared with many other Sub-Saharan African countries, Namibia has fairly developed infrastructure that does not present a major constraint to business. Fewer than 10 percent of firms with five or more employees rate any aspect of infrastructure as a major concern (World Bank 2007e).

In terms of electricity consumption, at 1,149 kilowatt hours per capita, Namibia is approximately on par with lower-middle-income countries, where consumption is 1,502 kilowatt hours per capita. Electric power transmission and distribution losses, however, are significantly higher in Namibia (18 percent of power output) than those in lower-middle-income countries (12 percent). As of 2005, 97 percent of electricity in Namibia was generated from hydroelectric sources, less than 3 percent from oil sources, and less than 1 percent from coal sources. Electricity coverage, however, is far from universal. For poor households, wood is by far the most common source of energy for cooking and heating activities, and candles are the most common source of lighting. (Electricity from mains is the primary source of energy for lighting in only 8 percent of poor households [World Bank 2007e].) Despite campaigns to promote solar energy as an alternative source of electricity, only 0.5 percent of nonpoor and 0.1 percent of poor households use solar energy for any part of their energy needs.

Regional highways such as the Trans-Kalahari and the Trans-Caprivi Highways make the busy Walvis Bay port easily accessible to SADC and Central African countries. As of 2002, however, only 13 percent of Namibia's 42,000-kilometer

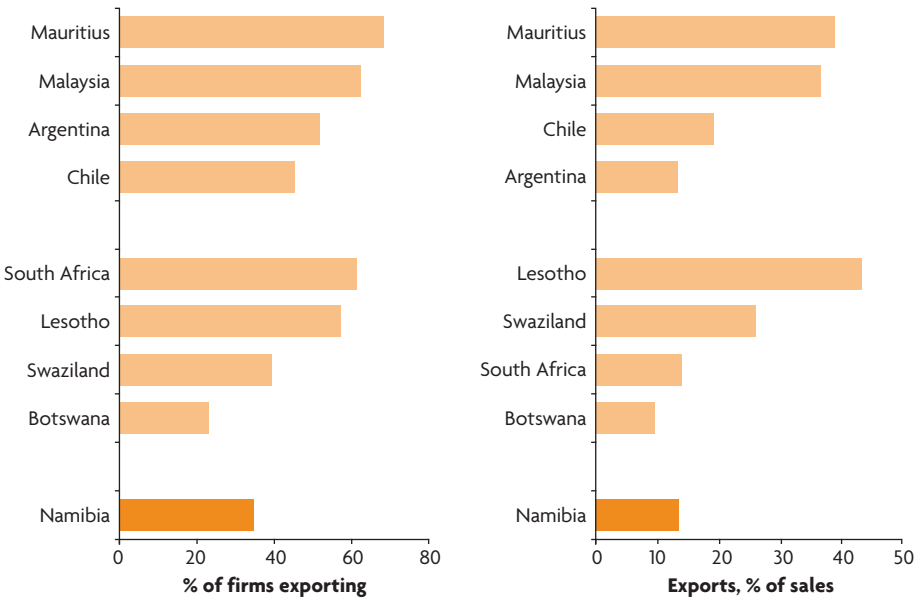
road system was paved, a metric that compares poorly with middle-income countries as a whole, where 44 percent of roads were paved. Four international airlines—Air Namibia, South African Airways, LTU, and BA/Comair—serve Namibia.

In general, information and communication technology access and usage in Namibia compares well to those in lower-middle-income countries. Approximately 95 percent of the population is covered by mobile phone telephony, and 39 of every 100 people are mobile phone subscribers (as of 2007), well above the 23 of 100 people in Sub-Saharan Africa and just above the 37 of 100 in lower-middle-income countries as a group. Presence of personal computers, at 24 per 100 people in Namibia in 2007 is more than five times that of lower-middle-income countries in 2006, although usage of the Internet, at 5 per 100 people, is less than one-third of the rate observed in lower-middle-income countries. The price basket for Internet service—$56 per month—remains higher than the $44 observed in Sub-Saharan Africa as a whole and very high compared with $17 in lower-middle-income countries.

Trade policy is biased against exports

While the Namibian economy is very open and dependent on international trade—exports of goods and services averaged 50 percent of GDP over 2003–07, and imports averaged 54 percent—Namibia lacks the kind of diversified trade structure that is critical for a small, open economy. Its key traditional exports are diamonds, other minerals, fish products, and beef (World Bank 2007e). Compared with those of other middle-income comparator countries, Namibian firms are modest exporters, with only about one-third of firms exporting anything—lower than in any of the comparator countries except for Botswana (figure 11). In comparison, close to two-thirds of firms in Malaysia, Mauritius, and South Africa export some of their output. For Namibia firms that do export, only 14 percent of their output is exported, and almost half goes to other SACU countries. The share of exporting firms is similar to South Africa (14 percent) and Argentina (13 percent), but far lower than in countries such as Lesotho (44 percent) and Mauritius (39 percent) (World Bank 2007e).

Figure 11: Compared with manufacturing firms in other middle-income countries, relatively few firms in Namibia export



Source: World Bank 2007a.

According to the World Bank, export diversification in Namibia is constrained by a trade policy structure that discriminates against exports and favors capital-intensive sectors over labor-intensive ones and large over small firms. As a member of SACU, Namibia's trade policy is determined at the regional level, and SACU's common external tariff (CET) is heavily influenced by South Africa. The CET reflects South Africa's industrial pat-

terns, and the protectionist tariff regime is geared toward import-substitution industries in South Africa. The common ad valorem rates (with 39 bands) range from zero to 55 percent. The simple average common most favored nation (MFN) tariff rate is 11.4 percent, although the tariff system remains complex (World Bank 2007e).[13] The high levels of the SACU common external tariff make imports of products from non-SACU countries uncompetitive.

The financial sector is strong and increasingly well regulated

Namibia has a sophisticated and highly developed financial system compared to most countries in Africa, with four commercial banks, about 30 insurance companies, 500 pension funds, a stock exchange, a number of asset management and unit trust management companies, and a large number of microlending institutions. Total financial system assets were about 170 percent of GDP. Commercial banking represented 38 percent of total financial sector assets in Namibia as of 2007, while pension funds accounted for 34 percent and life insurance companies for 22 percent (source for all data in this paragraph is IMF 2007a).

Regulations governing financial sector competition and capital markets are closely tied to those in South Africa. South African firms dominate banking, although Namibian ownership has increased in recent years. The commercial banking sector is mature and well established, as measured by private sector credit to GDP, which is relatively high by international standards at 56 percent in 2006. Individual mortgages are the most important component of banks' loan portfolio (about 40 percent), with finance, real estate, and business services also important borrowers. Namibia's banks are well capitalized and very profitable compared with other banks in Sub-Saharan Africa. In general, the financial sector is deeper in Namibia than in comparator countries, though banking and capital markets indicators are not as strong (table 8).

Pension funds are well developed

Pension funds in Namibia are well developed, as measured by total asset size and maturity. By law, they are required to invest at least 35 percent of their assets domestically, though flexible implementation of this regulation allows foreign companies dual-listed on the Namibian Stock Exchange to be included

Table 8: Financial sector depth in Namibia is better than that in comparator countries

	Namibia	Botswana	Kenya	Lesotho	Mozambique	South Africa	Swaziland	Tanzania
Financial sector depth								
Money and quasi-money (M2) (% of GDP)	44.8	31.7	36.3	30.1	28.5	60.0	21.8	26.8
Domestic credit to private sector (% of GDP)	61.7	19.6	25.8	8.9	13.8	160.8	23.7	12.2
Banking industry								
Bank nonperforming loans to total gross loans (%)	2.9	2.8[a]	5.2[b]	1.0	3.7	1.2	2.0	—
Bank capital-to-assets ratio (%)	8.3	9.7[a]	—	—	6.4	7.8	—	—
Capital markets								
Number of listed domestic companies	9	18	51	—	—	401	6	6
Market capitalization of listed companies (% of GDP)	8.3	37.2	49.9	—	—	280.2	7.5	4.2
Stocks traded, turnover ratio (%)	3.8	2.3	14.6	—	—	48.8	0.0	2.1

Source: World Bank 2008f.

Note: Data are for 2006, except where noted. — = not available.

a. Data for 2004.

b. Data for 2005.

in meeting this target (IMF 2007a). (Tighter regulation of pension and insurance fund domestic investment is being considered, however.) The industry typically invests much of the remainder of its assets abroad, citing a lack of domestic investment opportunities. Pension savings are one factor behind Namibia's capital outflows, whereas most middle-income countries have capital inflows.

Access to finance remains limited, however

While access to finance in Namibia is better than that in many other Sub-Saharan African countries, it is still limited for several reasons. First, there is pervasive rural poverty and a growing urban population suffering widespread unemployment. Second, the distance between rural villages and urban centers, where most commercial banks are located, limits credit access for small and medium-size firms and for private rural borrowers. Third, basic banking services fees appear high to most of the population. Available estimates indicate that less than 15 percent of the population use transaction, credit, or insurance services (IMF 2007a). The use of savings products is higher, at 45 percent of the population, but this is low by international standards (IMF 2007a). Banks are now extending their outreach through a range of innovative savings and credit products and expanding the supply of microcredit in both urban and rural areas.

Global Links

Strong economic links within Africa and beyond

Namibia has actively pursued international trade and monetary memberships and agreements since independence. It is a member of the Southern African Development Community (SADC), the Southern African Customs Union (SACU), the Common Monetary Area (CMA), and the Cross-Border Initiative and has been a member of the World Trade Organization since 1995. Namibia's exports qualify for duty-free access to the United States under the African Growth and Opportunity Act and to several developed countries via the Generalized System of Preferences. In the beginning of 2008, SADC negotiated an economic partnership agreement with the EU that replaces the trade portion of the Cotonou Agreement, which expired at the end of 2007.

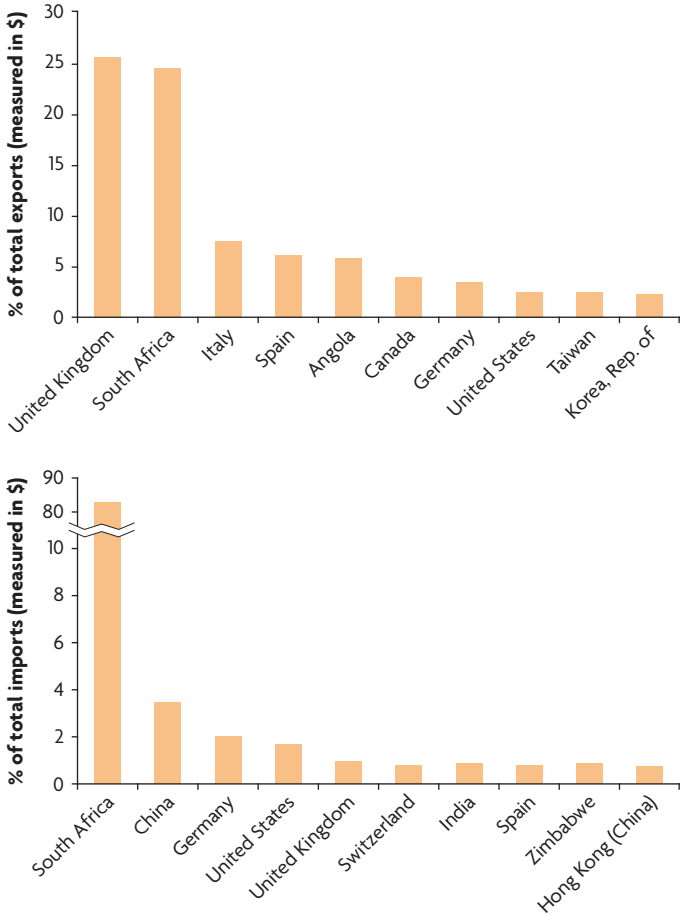
SACU, comprising Botswana, Lesotho, Namibia, South Africa, and Swaziland, is the oldest customs union in the world. There are no tariffs on goods produced in and traded within member states, and all customs duties in the area are paid into a fund that is distributed among member states according to a revenue-sharing formula. The IMF estimates that receipts to Namibia from SACU totaled approximately $1 billion in 2007, up from $894 million in 2006, and that the increase was the key reason for Namibia's jump in current account surplus to an estimated $1.4 billion in 2007. SACU has negotiated a number of preferential and free trade agreements, including the SACU/Mercosur agreement concluded in 2004.

In October 2008, representatives of SADC, the Common Market for Eastern and Southern Africa (COMESA), and the East African Community (EAC) laid the groundwork for an umbrella trade area comprising the 26 member countries of the three existing blocs. Increased bargaining power in global trade deals was an impetus for the agreement.

South Africa and the EU are Namibia's largest trade partners

Because of historical connections and geographical proximity, Namibia does most of its international trade with South Africa. Taken together, however, EU countries—namely the United Kingdom, Italy, and Spain—are a bigger export market than South Africa (figure 12). After the extraction

Figure 12: Namibia's exports go mostly to the EU and South Africa, while imports come overwhelmingly from South Africa



Source: World Integrated Trade Solution (WITS) database (World Bank 2008g).

and tourism industries, the agricultural sector has contributed most significantly to the growth of Namibia's exports in recent years.

Goods and services exports amounted to 50 percent of Namibia's GDP in 2007, well above the Sub-Saharan African average of 33 percent. This percentage is nearly equivalent to that of another diamond exporter, Botswana, which had exports equivalent to 49 percent of GDP. Namibia also shows a high dependence on foreign goods, with imports of 54 percent of GDP in 2007, a rate much higher than that of Botswana, Nigeria, or South Africa. Merchandise represents the majority of imports to Namibia; manufactured products represent 78 percent of merchandise imports, food products (mainly cereal) 16 percent, and fuel 3 percent. Tourism represented 15 percent of total exports in 2006, down from 23 percent in 2003 partly because of environmental degradation threatening wildlife and ecosystems. Of merchandise exports, ores and metals (including diamonds and uranium) and food each represent 26 percent, a remarkable shift from 2003, when ores and metals represented a post-2000 low of 7 percent of exports and food reached a post-2000 high of 48 percent of exports.

Terms of trade have improved considerably in recent years

Namibia's terms of trade have risen sharply, by an estimated one-third, between 2005 and 2007 (IMF 2007b), boosting mineral exports and contributing to a merchandise trade surplus. Namibia's major exports, however, differ significantly from those of its CMA partners. The two major exports are diamonds and fish, which together account for almost 60 percent. By contrast, Lesotho's exports are mostly clothing, while Swaziland's are predominantly edible concentrates, cottonseed, and lint. While South Africa's major exports, like Namibia's, are concentrated in minerals, the composition is quite different. South Africa is a major exporter of gold, iron and steel, and platinum. In addition, South Africa's trade is more diversified than Namibia's, with no individual category of exports exceeding 12 percent (IMF 2006).

Namibia's average most-favored-nation simple tariff, at 7.8 percent in 2007, is lower than that of both Sub-Saharan Africa and middle-income countries. Almost 51 percent of exports leave the country duty-free, and 82.7 percent of exports involve free trade agreements (World Bank 2008h).

A net outflow of workers since 2000, but still a much larger stock of immigrants than of emigrants

Historically, cross-border movement of labor among CMA countries—Lesotho, Namibia, South Africa, and Swaziland—has been extensive. In the years following Namibia's independence, however, a significant number of Namibian migrant workers repatriated, leading to a large net inflow of people across the border. But since 2000, UN population data show a small net outflow. Though the issue of "brain drain" of a country's highly educated workforce is problematic for many developing countries, this is not an issue of concern for Namibia. The emigration rate of the tertiary-educated workforce is around 3.4 percent, compared with rates of more than 50 percent for many countries in Africa (World Bank 2008d).

Table 9: Immigration numbers were many times higher than emigration numbers as of 2005

Immigration	
Stock of immigrants	143,275
Immigrants as % of population	7.1
Females as % of immigrants	47.1
Refugees as % of immigrants	8.9
Top source countries (in descending order)	Angola, South Africa, Zambia, Botswana
Emigration	
Stock of emigrants	15,101
Emigrants as % of population	0.7
Top destination countries (in descending order)	Mozambique, Tanzania, United Kingdom, United States, Germany, Australia, Canada, Zambia, New Zealand, Netherlands

Source: World Bank 2008d.

As of 2005, 0.7 percent of the total population of 2.1 million lived outside the country (table 9). This rate is lower than that of South Africa, where 1.5 percent of the population were emigrants. On the other side of the migration coin, there were 143,275 immigrants, or 7.1 percent of the total population, living in Namibia in 2005, the majority of whom—nearly 70,000—were from Angola.

Foreign direct investment jumped in 2005 before falling back slightly in 2006

Foreign direct investment (FDI) to Namibia is heavily biased toward the mining sector, which attracted two-thirds of investment during 2003–06. Net FDI inflows were about $342.4 million in 2006 (World Bank 2008f), or 5.2 percent of GDP (by comparison, Sub-Saharan African received inflows of 2.1 percent of GDP in 2006). FDI flows to Namibia have been erratic in recent years, falling from a high of $382 million in 2001 to $158 million in 2003 before beginning to rise again. In the manufacturing sector, most FDI from East Asia has been directed toward taking advantage of spare quota under the textile and apparel trade regime. Gross fixed capital formation was about 30 percent of GDP in 2007. Although Namibia's FDI figures are relatively competitive by regional standards, the country aspires to compete with the most dynamic emerging markets, which usually perform much better.

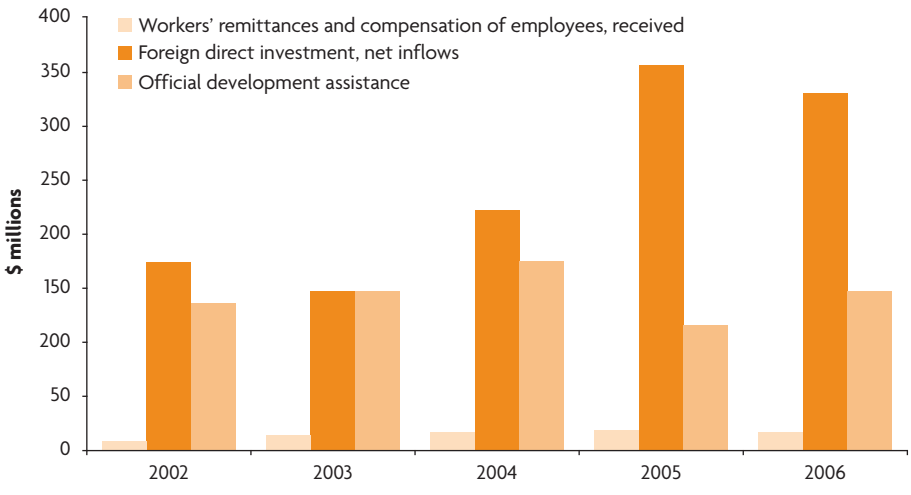
A rising but still very low level of remittances

Remittances, a main source of foreign exchange in the developing world, have been on a mostly upward path in Namibia since 2002. Inflows of approximately $16.9 million in 2007 represent a mere 0.25 percent of GDP, compared with the 2.1 percent of GDP in remittances received by Sub-Saharan Africa as a whole in 2007. In general, remittance flows remain tiny compared with inflows of FDI and official development assistance (ODA) (figure 13).

The United States and Germany are the largest sources of official development assistance

In 2006, Namibia received $145.3 million of ODA (2.2 percent of GNI). The United States recently became Namibia's largest donor, followed by Germany. Namibia was selected as a focus country for the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) in 2003. Since then, more than $125 million has been provided through this channel alone. Namibia received an additional $128 million through the Global Fund to Fight AIDS, Tuberculosis and Malaria, of which $105 million were earmarked for HIV/AIDS. In addition, Namibia recently became eligible for the U.S. Millennium Challenge Account (MCA), which announced in mid-

Figure 13: FDI to Namibia outpaces official development assistance and workers' remittances by a wide margin



Source: World Bank 2008f.

2008 that it will disburse slightly more than $300 million to the country over the next five years. There are, however, concerns in the donor community on the efficacy of the MCA money because of insufficient absorptive capacity in Namibia. Though there are not regular donor roundtables, the United Nations Development Programme has led the coordination process for ODA.

Higher foreign exchange earnings and growing foreign reserves

Namibia achieved a very large balance of payments surplus in 2006, while foreign exchange reserves rose to the highest level since independence. The latter nearly doubled, to around $850 million in 2007 from $450 million in 2006, following on the increases in SACU revenues and mineral export receipts (IMF 2008a). Expected further increases in diamond production and mineral exports in 2007 will add to already increasing foreign exchange earnings, and hence reserves, despite the volatility of SACU revenues.

The 25 percent debt ceiling was undershot in 2007/08

After reaching almost 35 percent of GDP in fiscal year 2005/06, Namibia's public debt has dropped steadily in the years since, and in fact undershot the 25 percent debt ceiling by 2 percentage points in 2007/08 (IMF 2008b). Despite forecasted declines in medium-term SACU and mining revenue receipts, public debt is not expected to breach the debt ceiling. For 2002, public and publicly-guaranteed external debt, most of which was on concessional terms, accounted for only about 12 percent of GDP. Given its lower-middle-income status and its relatively low level of indebtedness, Namibia is not a member of the heavily indebted poor countries (HIPC), nor is it eligible for debt relief.

As of October 2008, Fitch gave Namibia a credit rating of BBB– (just below investment grade) for long-term foreign currency issuer default risk, F3[14] for short-term sovereign foreign currency issuer default risk, and BBB for long-term local currency default risk. The figures have shown impressive improvements and are better than those of Nigeria and Ghana, which received ratings of BB– and B+, respectively, for long-term sovereign default risk in 2008. Namibia's relatively better ratings are partly the result of its external debt being far below the median for countries rated BBB.

Namibia and the World Bank Group

Namibia, one of the more recent countries to join the Bank Group, became a member of the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) in 1990. In the initial years of membership, a number of analytical and advisory activities were undertaken, some jointly with the Namibian government.

World Bank portfolio

The World Bank has provided limited assistance on HIV through an Institutional Development Fund (IDF) grant. Namibia also benefits from technical assistance from the Global AIDS Monitoring and Evaluation Team and from capacity building initiatives provided to middle-income countries in Southern Africa.

In May 2007, the first-ever Interim Strategy Note (ISN) for the period 2007–09 was presented to the World Bank's Board of Executive Directors. The first and only IBRD lending operation for Namibia—a Development Policy Loan ($7.5 million)—was approved in the same month. In July 2008, the loan was disbursed as 58.2 million South African rand, the first time the IBRD has ever disbursed a loan in an African currency (the South African and Namibian currencies are equivalent in value). And in November 2008, a second Development Policy Loan was approved (table 10).

Namibia has benefited from two Global Environmental Facility (GEF) grants since 2004—the Namibian Coast Conservation and Management Project and the Integrated Community-Based Ecosystem Management Project—and a third is under preparation.

International Finance Corporation portfolio

The International Finance Corporation (IFC) has been involved in several investments in Namibia: a fisheries project (Pescanova) and an equity investment in the country's first local life insurance company (Namibia Life). An IFC loan also supported the construction of a 110-room Best Western hotel in Northern Namibia. In terms of technical assistance, IFC has worked with the Namibian Agronomic Board to raise funds for a feasibility study of a cotton ginning industry. In August 2008, the IFC approved a $10 million loan for the construction of a 124-room hotel in Windhoek, the only project that has been undertaken in Namibia within the past two fiscal years.

Multilateral Investment Guarantee Agency portfolio

Currently, the Multilateral Investment Guarantee Agency (MIGA) does not have exposure in Namibia.

Table 10: Projects in Namibia supported by IBRD and the GEF, fiscal 2008–mid-09

Project name and description	Date of approval	$ millions
The second loan in the **Education and Training Sector Improvement Program (ETSIP)** series will support education and training sector.	11/18/2008	7.5

Note: Fiscal years 2008 and 2009 represent the period from July 1, 2007 to June 30, 2009.

Table 11: Projects in Namibia supported by the IFC, fiscal 2008–mid-09

Project name and description	Date of approval	$ millions
United Africa Group will use an IFC loan to build a five-star, 124-room hotel in Windhoek	08/28/2008	10

Note: Fiscal years 2008 and 2009 represent the period from July 1, 2007 to June 30, 2009.

Notes

1. Households are classified as poor if food consumption makes up 60 percent or more of total household consumption, and extremely poor in cases where food consumption is 80 percent or more, according to NHIES.
2. The HDI is a composite measure assessing three dimensions of human development: life expectancy, education, and income.
3. The Gini index measures income inequality on a scale of 0–100, with 0 representing perfect equality and 100 representing perfect inequality.
4. Gini data from World Bank (2007b) and analysis in World Bank (2007e) indicates that the magnitude of the drop could be explained by a number of factors, including greater participation in economic activities by the previously disadvantaged; expansion of safety net coverage in public schemes such as old age pensions and grants for orphans and vulnerable children; an increase in the production and consumption of *mahangu* (pearl millet), a main food item in Namibia, compared with that in the 1993/94 survey year, which was characterized by a drought; and an increase in the internal transfer of money from the urban to the rural sectors (World Bank 2007e).
5. The Ministry of Health and Social Services conducts HIV sentinel surveys every two years, using pregnant women visiting antenatal clinics (Namibia, Ministry of Health and Social Services 2007).
6. Using hotel and restaurant data from balance of accounts alone to evaluate sector contribution grossly underestimates the tourism sector's size (see World Bank 2008a for more background on this topic).
7. The VCF, commonly known as the "red-line," was erected in the early 1960s to separate the disease-free areas of the South from predominantly communal farms of the North. The diseases in question are foot-and-mouth disease and contagious bovine pleuropneumonia. Many areas in the North have been disease-free for years.
8. Under the CMA, Namibia, Lesotho, and Swaziland peg their currencies to the South African rand, which is also legal tender in their territories. The CMA also provides for free capital mobility.
9. Namibia's stated fiscal target is for the deficit to not exceed 3 percent of GDP.
10. Toward this end, a land-use planning and environmental sustainability study is under way (World Bank 2006).
11. IIED used Namibia's Natural Resources Accounting (NRA) to determine how two sectors of the economy—agriculture and fishing—would respond to climatic changes. These projections underestimate the impact because they ignore the effect on sectors such as health, infrastructure, and energy. It also examined Namibia's Social Accounting Matrix (SAM) to analyze which groups in Namibia would be most affected.
12. Conducted in June 2006, the survey covered 329 SMLEs and 100 microenterprises in Windhoek and Walvis Bay and included sectors such as retail trade and manufacturing. Microenterprises included some in the informal sector.
13. Higher tariffs (above 40 percent) apply to tobacco (35–45 percent), clothing (up to 40 percent), pineapples (55 percent), tires (43 percent), beef (specific tariff equivalent to more than 40 percent ad valorem), and sheep and goat meat (specific tariff equivalent to more than 40 percent ad valorem).
14. Fair credit quality: the capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to noninvestment grade.

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Data Appendix

	Namibia			Lower-middle-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
People and poverty					
Population structure					
Population (millions)	1.4	1.9	2.1	3,437	800
Population growth (%)	4	2	1	1	2
Population density (people per square kilometer)	2	2	3	100	34
Urban population (% of total)	28	32	36	42	36
Population ages 0–14 (% of total)	45	42	37	27	43
Population ages 15–64 (% of total)	52	54	59	67	54
Population ages 65 and above (% of total)	3	3	4	6	3
Income and poverty					
Gross national income per capita, Atlas method ($)	1,710	1,880	3,360	1,887	952
Gross national income per capita, PPP ($)	2,530	3,510	5,120	4,543	1,870
Population below national poverty line (%)	—	—	—	—	—
Urban population below national poverty line (%)	—	—	—	—	—
Rural population below national poverty line (%)	—	—	—	—	—
Income share held by lowest 20 percent of earners (%)	—	—	—	—	—
Fertility and mortality					
Life expectancy at birth (years)	62	54	52	69	51
Total fertility rate (births per woman)	5.7	3.9	3.3	2.3	5.2
Adolescent fertility rate (births per 1,000 women ages 15–19)	—	79	61	39	121
Births attended by skilled health staff (% of total)	68	76	—	69	45
Maternal mortality rate (modeled estimate, per 100,000 live births)	—	—	210	300	900
Infant mortality rate (per 1,000)	60	50	45	41	94
Under-five mortality rate (per 1,000)	86	69	61	54	157
Health					
Malnutriton prevalence, weight for age (% of under age 5)	—	20	—	25	27
Malnutrition prevalence, height for age (% of under age 5)	—	30	—	35	44
Child immunization, measles (% of ages 12–23 months)	57	69	63	77	72
HIV prevalence rate (% population of ages 15–49)	—	—	15.3	0.3	5.2
Contraceptive prevalence rate (% of married women ages 15–49)	29	44	—	69	22
Incidence of tuberculosis (per 100,000 people)	306	664	767	135	368
Education and literacy					
Primary school enrollment (% net)	86	75	76	90	70
Primary completion rate, total (% of relevant age group)	—	82	76	92	60
Secondary school enrollment (% gross)	45	57	57	66	32
Ratio of girls to boys in primary and secondary school (%)	106	103	104	96	87
Tertiary school enrollment (% gross)	3	7	6	19	5
Literacy rate, youth (% of population ages 15–24)	88	92	—	96	70
Literacy rate, adult (% of population ages 15 and above)	76	85	—	89	59
Economy					
Size and structure of economy					
GDP ($ billions)	2.4	3.4	6.7	6,888	843
GDP per capita ($)	1,658	1,816	3,251	2,004	1,054

	Namibia			Lower-middle-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
GDP growth (annual %)	2.5	3.5	5.9	9.7	6.2
Household final consumption expenditure (% of GDP)	51	57	50	49	67
Government final consumption expenditure (% of GDP)	31	29	25	13	16
Cross capital formation (% of GDP)	34	20	30	36	22
Exports of goods and services (% of GDP)	52	46	50	37	33
Imports of goods and services (% of GDP)	67	51	55	34	36
Source of GDP					
Value added in agriculture (% of GDP)	12	11	11	13	15
Value added in industry (% of GDP)	38	28	30	41	32
Value added in manufacturing (% of GDP)	14	11	11	25	15
Value added in services (% of GDP)	50	61	59	46	54
Central government budget					
Central government revenue (% of GDP)	31.3	32.8	—	15.2	—
Central government expenditure (% of GDP)	36.2	31.6	—	15.6	—
Central government cash surplus/deficit (% of GDP)	–2.6	–3.0	—	–1.4	—
Inflation					
Inflation (annual % change in consumer price index)	—	—	6.7	—	—
Labor force					
Labor force (millions)	0.4	0.6	0.7	1647	323
Unemployment rate (% of labor force)	19.1	20.3	—	5.8	—
Environment					
Agriculture					
Agricultural land (% land area)	47	47	47	47	44
Irrigated land (% of cropland)	1	1	—	—	—
Fertilizer consumption (100 grams/hectare of arable land)	—	4	19	1,729	—
Forests					
Forests (thousands of square kilometers)	88	80	77	8,609	6,247
Deforestation (average annual %, 1990–2005)	—	—	0.9	0.1	0.7
Nationally protected area (% of land area)	—	—	5.6	11.8	11.3
Water and sanitation					
Freshwater withdrawal (% of internal resources)	—	4.8	—	—	—
Internal freshwater resources per capita (cubic meters)	—	—	3,070	4,200	5,062
Freshwater withdrawal used for agriculture (%)	—	71	—	75	87
Energy					
GDP per unit of energy use (2005 PPP $/kilogram oil equivalent)	8.1	7.1	6.7	3.8	2.9
Energy use per capita (kilograms oil equivalent)	—	549	683	968	681
Energy from biomass products and waste (% of total)	16.0	16.8	13.5	16.0	56.3
Electricity generated using fossil fuel (% of total)	4.8	2.4	3.0	82.5	79.3
Electricity generated by hydropower (% of total)	95.2	97.6	97.0	16.6	20.1
Emissions and pollution					
CO2 emissions per unit of GDP (kilograms/2005 PPP $)	0.0	0.2	0.3	0.8	0.5
CO2 emissions per capita (metric tons)	0.0	0.9	1.2	2.6	0.9
CO2 emissions growth (%, 1990–2004)	—	—	—	71.1	46.3
Particulate matter (urban-population-weighted average, micrograms/cubic meter)	74	45	42	71	60
Passenger cars (per 1,000 people)	39	36	—	—	—
Unemployment rate (% of labor force)	19.1	20.3	—	5.8	—
Business environment					
General environment					
Time to start a business (days)	—	—	99	41	55
Procedures to start a business (number)	—	—	10	10	11
Firing cost (weeks of wages)	—	—	24.0	51.9	66.8
Closing a business (years to resolve insolvency)	—	—	1.5	3.5	3.4
Total tax rate (% of profit)	—	—	26.5	44.1	68.2
Highest marginal tax rate, corporate (%)	—	35	35	—	—
Business entry rate (new registrations as % of total)	—	—	—	7.5	6.6

continued

	Namibia			Lower-middle-income group	Sub-Saharan Africa region
	1990	2000	2007	2007	2007
Infrastructure					
Paved roads (% of total roads)	10.8	13.6	—	—	—
Electric power consumption (kilowatt hours per capita)	1,047	1,270	1,428	1,148	542
Power outages in a typical month (number)	—	—	1.7	—	—
Access to improved water source (% total population)	57	81	93	88	58
Rural (% rural population)	42	72	90	82	46
Urban (% urban population)	98	99	99	96	81
Access to improved sanitation (% total population)	26	32	35	54	31
Rural (% rural population)	8	15	18	42	24
Urban (% urban population)	73	68	66	71	42
Information and communication technology					
Fixed line and mobile subscribers (per 100 people)	4	10	45	53	25
Mobile phone subscribers (per 100 people)	0	4	39	37	23
Population covered by mobile telephony (%)	—	85	95	80	54
Internet users (per 100 people)	0.0	1.6	4.9	15.8	4.4
Broadband subscribers (per 100 people)	—	0.0	0.0	2.4	0.0
Finance and banking					
Deposit money banks' assets (% of GDP)	—	46.5	56.3	—	—
Total financial system deposits (% of GDP)	—	35.2	38.8	—	—
Bank capital to asset ratio (%)	—	8.7	8.3	9.6	—
Bank nonperforming loans to total gross loans (%)	—	3.4	2.9	4.2	—
Domestic credit to the private sector (% of GDP)	22.6	45.6	65.3	78.6	47.1
Market capitalization of listed companies (% of GDP)	0.7	9.1	10.4	144.5	149.8
Real interest rate (%)	17.9	4.2	12.0	—	—
Interest rate spread (lending minus deposit rate, percentage points)	10.6	7.9	4.9	7.3	9.2
Global links					
External trade					
Trade balance ($ millions)	–364.1	–188.5	–302.0	–12,540	—
Current account balance ($ millions)	27.6	227.1	1,064.4	15,671	–22,374
Current account balance (% of GDP)	1.2	6.7	16.2	—	—
Exchange rate (local currency units per $)	2.6	6.9	7.0	—	—
Capital flow					
Foreign direct investment, net inflows ($ millions)	—	—	—	162,047	15,408
Foreign direct investment, net inflows (% of GDP)	—	—	—	2.9	2.1
Workers' remittances received ($ millions)	13.0	9.0	16.9	140,091	16,166
Workers' remittances received (% of GDP)	0.6	0.3	0.3	2.1	2.1
Official development assistance ($ millions)	119.6	152.3	145.3	31,185	40,490
Official development assistance (% of GDP)	5.1	4.5	2.2	0.6	5.5
Portfolio investment, equity (net flows, $ millions)	—	—	—	62,728	10,200
Portfolio investment, bonds, public and publicly guaranteed + private nonguaranteed (net flows, $ millions)	—	—	—	16,811	5,802
External debt and debt service					
Total external debt ($ millions)	—	—	—	1,170,117	193,480
Short-term debt ($ millions)	—	—	—	347,063	44,399
External debt (% of GNI)	—	—	—	19.6	26.4
External debt (% of exports of goods and services)	—	—	—	44.4	59.8
Total debt service (% of GNI)	—	—	—	2.9	3.1
Foreign reserves					
Total reserves minus gold ($ millions)	49.7	259.8	896.0	2,291,928	136,696
Total reserves in months of imports	0.3	1.7	1.6	12.1	7.0

Source: World Bank 2008f.

Note: — = not available.

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